Building the future™

# FOCUS

2008 ANNUAL REPORT

CEMEX is a global building materials company that provides high-quality products and reliable service to customers and communities in more than 50 countries throughout the world. CEMEX has a rich history of improving the well-being of those it serves through its efforts to pursue innovative industry solutions and efficiency advancements and to promote a sustainable future.

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# Tough times call for tough actions

We are intensely focusing our efforts on the variables we can control.

# letter to our stockholders

**Dear fellow stockholders:**
2008 was a tumultuous year. The unprecedented financial and economic crisis that started in the United States spread to Europe, Asia, and other global markets, negatively affecting companies and industries worldwide. Many of our most important markets contracted faster and further than anyone anticipated, while competitive and cost pressures continued to grow. Consequently, after more than a decade of double-digit growth, our results fell significantly short of our goals.

Our diversified portfolio and the supply-demand dynamics in most of our markets partially compensated for the downturn in the United States, Spain, and the United Kingdom and higher input costs. For the year, our net sales held steady at US$21.7 billion. Our EBITDA decreased 5 percent to US$4.3 billion. And our free cash flow after maintenance capital expenditures increased 1 percent to US$2.6 billion.

Turbulent times require decisive measures. To adapt quickly to changing market conditions, we have aggressively implemented an action plan to regain our financial flexibility and to make our global network more efficient, more productive, and more dynamic.

While we cannot direct the trajectory of the markets, we are intensely focusing on managing the variables within our control. To align our company's cost structure with the current market realities, we executed a global efficiency and cost reduction program during the fourth quarter of the year. Beyond business as usual, we revisited and reevaluated every aspect of our global operations network, applying the tools and disciplines that we have successfully used over the past two decades to integrate new acquisitions.

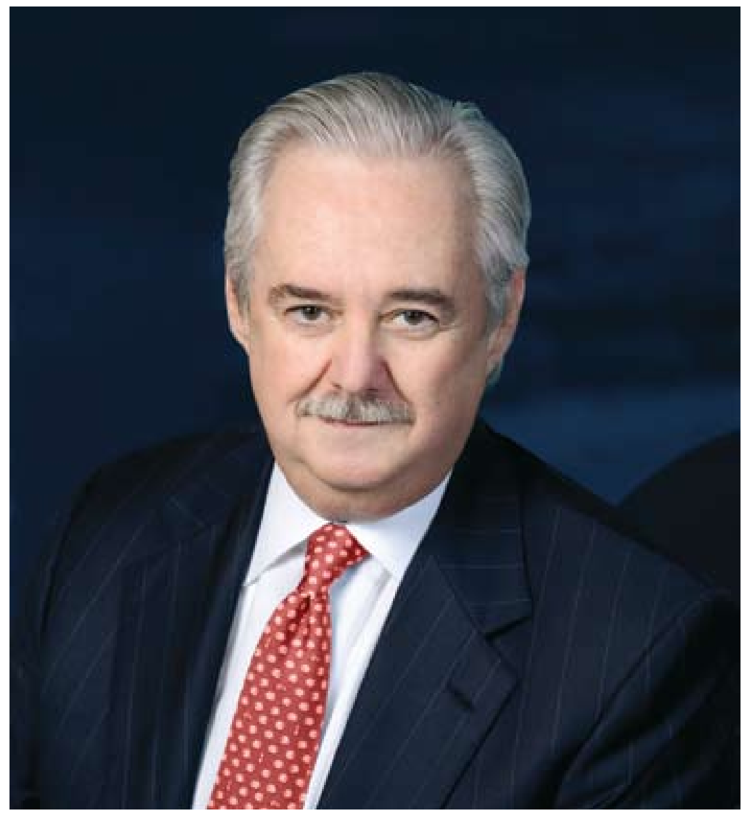
As a result of this program, we have captured close to US$700 million in permanent cost savings that we will fully realize in 2009. Additionally, we have adjusted the cost base of our company to meet new market conditions. Some of our cost reduction initiatives include budget cutbacks, capacity closures, and unfortunately, headcount reductions—which are painful, but essential.

As a part of our plan, we are divesting assets from our business portfolio. In the second half of the year, we reached agreements to sell our operations in Austria, Hungary, and the Canary Islands.

We are pursuing additional initiatives to divest other operations. The proceeds of these sales will be used for debt reduction.

We are also significantly reducing our capital expenditure program. We will complete only those projects that are scheduled to come on line in early 2009 and will immediately contribute to our free cash flow. Most of our cement production and cement grinding projects are nearing completion. So, we expect our maintenance- and expansion-capital expenditures for 2009 will not exceed US$650 million compared with approximately US$2.2 billion in 2008.

On the financial front, we have proactively worked with the financial community to craft a market-driven, win-win solution that aligns our liability profile with our new operating realities. As a result, we have extended our debt maturities, made significant progress in improving our credit profile, and moved towards providing our company with the financial capacity to implement our operating strategy on terms that are beneficial for all of our stakeholders.



**We have overcome big challenges in the past, and each time, we have taken the opportunity to emerge a stronger, more efficient, and more competitive company.**

Looking forward, we will continue to work to sustain our record of disciplined, profitable growth in the short, medium, and long term. However, given the volatile environment in which we are living, our focus in the short term is to regain our financial flexibility. To do this, we will maximize our free cash flow from operations and asset sales and deploy those resources to deleverage our business.

There are still many challenges ahead of us. The current global economic crisis is producing some of the toughest market conditions that our company and our industry have ever experienced. This means that we must make extra efforts to adjust our operations in the face of an evolving market environment, to anticipate changes in our customers' circumstances, to improve our market offerings, and to ensure that we are the most efficient producer in our industry.

By taking the necessary measures today, we are focusing on what is needed to return our company to sustainable, profitable growth in the future. We have overcome big challenges in the past, and each time, we have taken the opportunity to emerge a stronger, more efficient, and more competitive company. I am confident that we will do so this time as well.

On behalf of the board and our management team, I thank our investors, our employees, our customers, and our suppliers for their continued support.

Sincerely,

**Lorenzo H. Zambrano**
Chairman of the Board and
Chief Executive Officer

# FINANCIAL HIGHLIGHTS

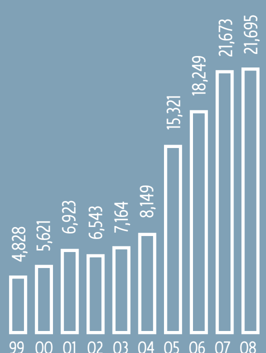
In millions of US dollars[1], except per-ADS data

| | 2008 | 2007 | % |
|---|---|---|---|
| Net sales | 21,695 | 21,673 | 0 |
| Operating income | 2,487 | 2,971 | (16) |
| EBITDA | 4,343 | 4,586 | (5) |
| Majority net income | 203 | 2,391 | (92) |
| Earnings per ADS[2] | 0.27 | 3.22 | (92) |
| Free cash flow after maintenance capital expenditures | 2,600 | 2,578 | 1 |
| Total assets | 45,387 | 49,662 | (9) |
| Net debt | 17,908 | 18,904 | (5) |
| Stockholders' equity, majority interest | 13,879 | 14,942 | (7) |

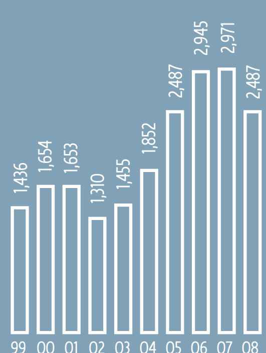
1 For your convenience, nominal Mexican peso results for 2008 were translated to US dollars using the average exchange rate of the year of 11.21 MXP/US$, and the constant Mexican peso results for 2007 using the end-of-period exchange rate of 10.92 MXP/US$. For balance sheet accounts, US dollar amounts were calculated by converting the peso amounts at the end of each year using the end-of-year exchange rate of 13.74 and 10.92 MXP/US$, respectively.

2 Based on an average of 743.2 and 766.1 million American depositary shares (ADSs) for 2007 and 2008, respectively.

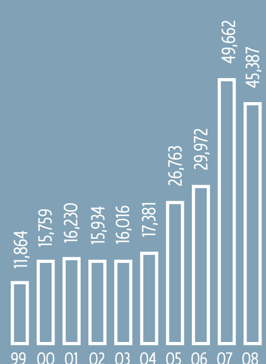
**Consolidated net sales**
millions of US dollars




**Operating income**
millions of US dollars




**Total assets**
millions of US dollars



**Amid this ever-changing environment, we can manage and focus on developing our customer relationships**

Amid this ever-changing environment, we can manage and focus on developing our customer relationships. Continuing to meet—and exceed—their needs and to earn their trust is central to who we are and what we do every day.

We tailor our products and services to suit our customers' specific needs. For example, our water resistant concrete is ideal for bridges, dams, home exteriors, and other potentially damp environments. Whereas, our porous paving concrete is well-suited for sidewalks and roadways, because it allows rainwater to filter into the ground, reducing flooding and helping to maintain groundwater levels.

We offer integrated building solutions to our clients. For example, to pave highways and streets in major cities with our high quality ready-mix concrete, we design the project, define the best technical solution, offer different financial options, and execute the project in collaboration with local builders. We similarly work alongside our neighbors in small, less-affluent communities to help them improve the paving of their streets and sidewalks.

We enable our customers to access the information they want when they need it—from their home or office. Through CEMEX Connect, our online customer resource center, they can track and view details of their pending orders, as well as their order history. They can also select the fastest and cheapest method of delivery. Furthermore, they can view, download, and print documents, including account statements, signed bills of lading, credit and debit memos, and invoices.

# customers


Continuing to meet and exceed our customers' needs is central to who we are and what we do every day.

# operating flexibility


We are aligning our cement, ready-mix concrete, and aggregates operations with changing market conditions.

We can manage and adapt our global operations network to meet new market realities

We can manage and adapt our global operations network to meet the new market realities; over the past few months, we have identified and implemented a number of initiatives to increase our flexibility. Among these initiatives, we have optimized our organizational structure and design, so we can manage and operate the company with fewer resources over the short, medium, and long term. We have right-sized our cement, ready-mix concrete, and aggregates production in line with market demand. We have optimized our logistics through the rationalization of our fleet, our distribution centers, and our raw-materials supply. We have realized economies of scale from our worldwide procurement process, and we have increased our use of more economical and environmentally friendly alternative fuels to 10 percent of our cement plants' total fuel consumption as part of our energy strategy.

The production of cement is an energy-intensive process. Hence, our ability to manage our energy use efficiently is important to our operating flexibility.

The key to our energy strategy is our diversified fuel structure; we have re-engineered our plants to enable our cement kilns to consume different types of fuel, including petroleum coke, coal, alternative fuels, fuel oil, and natural gas. This provides us with the capability to adjust our fuel mix as energy prices rise and fall. Along with our primary fuel and freight contract strategy, this enabled us to ease cost volatility, while energy commodity prices fluctuated dramatically. Consequently, our energy cost per ton of cement produced increased only 16 percent this year compared with a 38 percent increase in the average price of crude oil.

Collectively—through all of our initiatives this year—we have become a leaner and more agile organization.

Our overarching commitment in the near future is to regain our financial flexibility

Our overarching commitment in the near future is to regain our financial flexibility. To this end, we are significantly reducing our capital-expenditure programs; we are continuing to implement our global cost-cutting initiatives; we are refinancing our debt maturities; and we are using as much of our free cash flow as possible to pay down debt. In addition, we are divesting some assets and using the proceeds of these sales to further deleverage our company.

In January 2009, we worked swiftly with the financial community to refinance US$2.3 billion of short-term facilities scheduled to mature in 2009 and early 2010 into two long-term syndicated facilities. We also extended to December 2010, US$1.7 billion of a US$3 billion syndicated loan facility, which was originally due in December 2009. These actions lengthened the average maturity of our debt, improved our debt profile, and enhanced the financial flexibility of our company.

As part of our asset-sales program, we reached an agreement to sell our Austrian and Hungarian operations to Strabag SE for approximately €310 million. We also closed the sale of our operations in the Canary Islands to a subsidiary of Cimpor Cementos de Portugal SGPS SA for approximately €162 million. We are pursuing additional initiatives to divest other operations. The proceeds of these sales will be used for debt reduction.

# financial flexibility

We are reducing costs, adjusting our operations, reducing capital expenditures, and selling assets to regain our financial flexibility as quickly as possible.

# SELECTED CONSOLIDATED FINANCIAL INFORMATION

In millions of US dollars, except ADSs and per-ADS amounts

### CEMEX, S.A.B. DE C.V. AND SUBSIDIARIES

| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|---|---|---|---|
| **OPERATING RESULTS** | | | | | | | | | |
| Net sales | 4,315 | 4,828 | 5,621 | 6,923 | 6,543 | 7,164 | 8,149 | 15,321 | 18,249 |
| Cost of sales[(1)(2)] | (2,495) | (2,690) | (3,141) | (3,894) | (3,656) | (4,130) | (4,586) | (9,271) | (11,649) |
| Gross profit | 1,820 | 2,138 | 2,480 | 3,029 | 2,888 | 3,034 | 3,563 | 6,050 | 6,600 |
| Operating expenses[(2)] | (642) | (702) | (826) | (1,376) | (1,577) | (1,579) | (1,711) | (3,563) | (3,655) |
| Operating income | 1,178 | 1,436 | 1,654 | 1,653 | 1,310 | 1,455 | 1,852 | 2,487 | 2,945 |
| Other expenses, net[(3)] | (172) | (334) | (270) | (441) | (425) | (474) | (514) | (316) | (49) |
| Financial expense | (485) | (488) | (467) | (412) | (333) | (381) | (372) | (526) | (494) |
| Financial income | 37 | 31 | 25 | 41 | 45 | 17 | 23 | 39 | 46 |
| Comprehensive financing result[(4)] | (132) | (29) | (174) | 265 | (329) | (267) | 133 | 239 | (32) |
| Income before taxes | 909 | 1,136 | 1,271 | 1,522 | 617 | 766 | 1,541 | 2,495 | 2,989 |
| Minority interest net income[(5)(6)(7)(8)] | 39 | 56 | 78 | 153 | 37 | 30 | 21 | 55 | 110 |
| Majority interest net income | 803 | 973 | 999 | 1,178 | 520 | 629 | 1,307 | 2,112 | 2,378 |
| Millions of ADSs outstanding[(9)(10)] | 504 | 546 | 556 | 584 | 608 | 648 | 678 | 704 | 733 |
| Earnings per ADS[(10)(11)] | 1.59 | 1.94 | 1.83 | 2.07 | 0.87 | 1.00 | 1.96 | 3.05 | 3.31 |
| Dividends per ADS[(9)(10)(12)] | 0.35 | 0.40 | 0.49 | 0.51 | 0.52 | 0.51 | 0.61 | 0.60 | 0.90 |
| **BALANCE SHEET INFORMATION** | | | | | | | | | |
| Cash and temporary investments | 407 | 326 | 308 | 428 | 361 | 291 | 342 | 601 | 1,579 |
| Net working capital[(13)] | 638 | 669 | 813 | 933 | 699 | 576 | 525 | 1,268 | 887 |
| Property, plant, and equipment, net | 6,142 | 6,922 | 9,034 | 8,940 | 8,963 | 9,265 | 9,613 | 15,542 | 17,196 |
| Total assets | 10,460 | 11,864 | 15,759 | 16,230 | 15,934 | 16,016 | 17,381 | 26,763 | 29,972 |
| Short-term debt | 1,106 | 1,030 | 2,962 | 1,028 | 1,393 | 1,329 | 1,044 | 1,191 | 1,252 |
| Long-term debt | 3,136 | 3,341 | 2,709 | 4,345 | 4,374 | 4,537 | 4,887 | 8,287 | 6,290 |
| Total liabilities | 5,321 | 5,430 | 8,111 | 8,078 | 8,983 | 9,250 | 9,161 | 16,409 | 15,193 |
| Minority interest[(5)(6)(7)(8)] | 1,251 | 1,253 | 2,398 | 1,975 | 1,207 | 532 | 389 | 529 | 1,920 |
| Majority interest | 3,887 | 5,182 | 5,251 | 6,177 | 5,744 | 6,234 | 7,831 | 9,825 | 12,859 |
| Total stockholders' equity | 5,138 | 6,435 | 7,649 | 8,152 | 6,951 | 6,766 | 8,220 | 10,354 | 14,779 |
| Book value per ADS[(9)(10)] | 7.73 | 9.48 | 9.45 | 10.58 | 8.63 | 8.78 | 11.55 | 13.94 | 17.55 |
| **OTHER FINANCIAL DATA** | | | | | | | | | |
| Operating margin | 27.30% | 29.80% | 29.40% | 23.90% | 20.00% | 20.30% | 22.70% | 16.20% | 16.10% |
| EBITDA margin[(13)] | 34.40% | 37.10% | 36.10% | 32.60% | 29.30% | 29.40% | 31.10% | 23.20% | 22.70% |
| EBITDA[(13)] | 1,485 | 1,791 | 2,030 | 2,256 | 1,917 | 2,108 | 2,538 | 3,557 | 4,138 |
| Free cash flow[(13)(14)] | 559 | 860 | 886 | 1,145 | 948 | 1,143 | 1,478 | 2,198 | 2,689 |

| 2007 | 2008 | Compounded annual growth 07–08 | 98–08 |
|---|---|---|---|
| | | | |
| 21,673 | 21,695 | 0% | 18% |
| (14,441) | (14,827) | | |
| 7,232 | 6,868 | | |
| (4,261) | (4,380) | | |
| 2,971 | 2,487 | (16%) | 8% |
| (300) | (1,918) | | |
| (807) | (912) | | |
| 79 | 52 | | |
| 100 | (2,562) | | |
| 2,907 | (1,895) | | |
| 77 | 4 | | |
| 2,391 | 203 | (92%) | (13%) |
| | | | |
| 751 | 777 | | |
| 3.21 | 0.27 | (92%) | (16%) |
| 0.83 | n.a. | | |
| | | | |
| 794 | 990 | | |
| 1,528 | 1,317 | | |
| 24,010 | 20,514 | | |
| 49,662 | 45,387 | | |
| 3,320 | 6,934 | | |
| 16,544 | 11,850 | | |
| 30,967 | 28,119 | | |
| 3,753 | 3,390 | | |
| 14,942 | 13,879 | | |
| 18,695 | 17,268 | | |
| 19.90 | 17.85 | | |
| | | | |
| 13.71% | 11.47% | | |
| 21.16% | 20.02% | | |
| 4,586 | 4,343 | (5%) | 11% |
| 2,578 | 2,600 | 1% | 17% |

## Notes to Selected Consolidated Financial Information

1. Cost of sales includes depreciation.
2. For the periods ending December 31, 2002 through 2007, and partially during 2001, the expenses related to the distribution of the company's products were classified as selling expenses on the income statement. Partially during 2001 and fully between the years 1998 and 2000, such expenses were recognized as part of cost of sales.
3. In accordance with Mexican Financial Reporting Standards ("MFRS"), starting from 2007 new presentation requirements apply for the income statement. For the purposes of the table, the years from 1998 through 2006 have been adjusted to comply with the new presentation requirements for 2007 (see note 2A to the 2008 annual report's Financial Statements). The main changes are described as follows: The concept Other expenses, net is presented before the Comprehensive Financing Result; additionally, this concept now includes the Employees' Statutory Profit Sharing (ESPS) current and deferred which, until 2006, was presented within the income taxes. The ESPS for the years 1998 through 2006 represented (expenses)/income of US$(20), US$(38), US$(36), US$(24), US$(36), US$(17), US$(30), US$1 and US$(15) million, respectively. Also, as of 2007, the Income before Taxes includes the Equity in Income of Associates, which represented for the years from 1998 through 2006 income of US$16, US$25, US$25, US$21, US$25, US$35, US$40, US$87 and US$122 million, respectively.
4. Comprehensive financing result includes financial expense, financial income, realized and unrealized gains and losses on derivative financial instruments and marketable securities, foreign exchange results, and the net monetary position result.
5. During 1995 and until August 2000, a minority interest was created in the consolidated stockholders' equity due to a financial transaction implying the ownership transfer of 24.77% of the common stock of CEMEX España; such shares were treated as owned by a third party, although, CEMEX retained dividends and voting rights over such shares during the life of the transaction.
6. In 2000, a Dutch subsidiary of CEMEX issued preferred stock for US$1.5 billion in connection with the financing required for the CEMEX, Inc. (formerly Southdown) acquisition. After redemptions of preferred stock made during the life of this transaction, the outstanding amount of preferred stock included as minority interest as of December 31, 2000, 2001, and 2002, was US$1,500 million, US$900 million, and US$650 million, respectively. In October 2003, CEMEX early redeemed the total outstanding amount of the preferred stock.
7. In 1998 a subsidiary of CEMEX in Spain issued US$250 million of capital securities. In April 2002, through a tender offer, US$184 million of capital securities were redeemed. The balance outstanding as of December 31, 2003 and 2002, was US$66 million and was liquidated during 2004. This transaction was recorded as minority interest during its validity.
8. As of December 31, 2006, 2007, and 2008, minority interest stockholders' equity includes US$1,250 million, US$3,065 million, and US$3,020 million, respectively, of aggregate notional amount of perpetual debentures issued by consolidated entities. For accounting purposes, these debentures represent equity instruments (see note 15D to the 2008 annual report's Financial Statements).
9. The number of ADSs outstanding represents the total ADS equivalent units outstanding at the close of each year, stated in millions of ADSs, and includes the total number of ADS equivalents issued by CEMEX in underlying derivative transactions, and excludes the total number of ADS equivalents issued by CEMEX and owned by subsidiaries. Each ADS listed on the New York Stock Exchange represents ten CPOs.
10. Our shareholders approved stock splits in 2006, 2005, and 1999. As a result, each of our existing series A shares was surrendered in exchange for two new series A shares, each of our existing series B shares was surrendered in exchange for two new series B shares, and each of our existing CPOs was surrendered in exchange for two new CPOs, with each new CPO representing two new series A shares and one new series B. The proportional equity interest participation of the stockholders in CEMEX's common stock did not change as a result of the exchange offer and the stock splits mentioned above. The number of our outstanding ADSs did not change as a result of the stock splits in the years 2005 and 1999. Instead, the ratio of CPOs to ADSs was modified so that each ADS represented ten new CPOs; as a result of the stock split approved during 2006, one additional ADS was issued in exchange for each existing ADS, each ADS representing ten (10) new CPOs. Earnings per ADS and the number of ADSs outstanding for the years ended December 31, 1998 through 2005, have been adjusted to make the effect of the stock splits retroactive for the corresponding years. In order to comply with Mexico's accounting principles, in the Financial Statements these figures are presented on a per-share basis (see note 18 to the 2008 annual report's Financial Statements).
11. For the periods ended December 31, 1998 through 2008, the earnings-per-ADS amounts were determined by considering the average number of ADS equivalent units outstanding during each year, i.e., 502.4, 549.8, 568.6, 598.3, 630.4, 665.8, 691.9, 718.4, 743.2, and 766.2 million, respectively.
12. Dividends declared at each year's annual stockholders' meeting for each period are reflected as dividends for the preceding year.
13. Please refer to page 92 for the definition of terms.
14. Beginning in 2005, free cash flow is calculated after maintenance capital expenditures only.

## Business

CEMEX is a global building materials company that provides products of consistently high quality and reliable service to customers and communities across five continents. We advance the well-being of those we serve through our relentless focus on continuous improvement and our efforts to promote a sustainable future.

Our company was founded in Mexico in 1906, and we have grown from a local player to one of the top global companies in our industry, with close to 57,000 employees worldwide. Today we are strategically positioned in the Americas, Europe, Africa, the Middle East, Asia, and Australia. Our operations network produces, distributes, and markets cement, ready-mix concrete, aggregates, and related building materials to customers in over 50 countries, and we maintain trade relationships with more than 100 nations.

## Business strategy

While we continue to strive to sustain our record of disciplined profitable growth in the short, medium, and long term, given the environment in which we are living, our overarching commitment in the immediate future is to deleverage our balance sheet.

Toward this end, we are undertaking the following actions:

> First, we will dedicate the bulk of our free cash flow, as well as asset sale proceeds, to debt reduction. We will maintain this priority until we have significantly reduced our net debt and regained our financial flexibility.

> Second, we will reduce costs in all of our operations and adjust our operations to current market conditions.

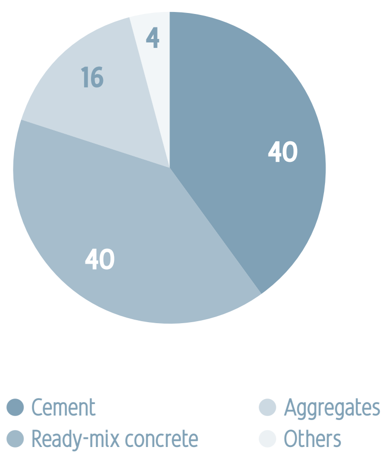
Through our global efficiency and cost reduction program, we have identified recurring synergies of US$700 million across all of our geographies and all of our main cost categories. Those synergies include reductions in fixed costs of US$250 million, variable costs of US$200 million, and SG&A of US$250 million. About 60% of the total cost reduction consisted of initiatives to make our operations more efficient. The other 40% were steps to adjust our operations to much-reduced market conditions, which steps we will reverse as market conditions change.

# operations

We customize our products and services to meet our customers' needs—from home construction to infrastructure and marine applications.

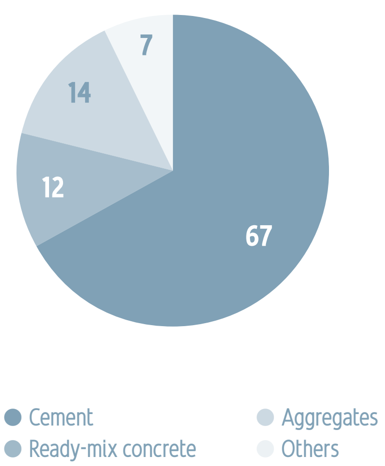
## Sales distribution by product

percentage




## EBITDA distribution by product

percentage




Thus far, we have made a significant temporary reduction in capacity: worldwide, we have suspended operations in 27 cement kilns, close to 300 ready-mix concrete plants, and almost 50 aggregates sites. Consequently, we have largely succeeded in adjusting our operations to the lower levels of activity that are expected for 2009.

> Third, we will significantly reduce our capital expenditures.

We have cut our total capital expenditures—including maintenance and expansion expenditures—to US$650 million in 2009 from US$2.2 billion in 2008. To achieve this reduction, we stopped work on several major projects, and cancelled all new expansion projects. In 2009 we will complete only those projects that require small marginal investments and are accretive in the short run. Although we have significantly reduced our maintenance capital expenditures, we have not—and will not—put at risk our core health and safety commitments to our employees and our communities.

> Fourth, we are divesting assets from our business portfolio, not only to strengthen our balance sheet, but also to reinforce our overall strategic focus.

As part of this effort, we reached an agreement to sell our assets in Austria and Hungary, and during the fourth quarter of 2008, we sold our Canary Island operations. We are pursuing additional initiatives to divest some other assets, and the proceeds of these sales will be used for debt reduction.

We have built a portfolio of assets with sustainable, profitable, long-term growth potential—producing positive free cash flow even in the down side of the economic cycle. Looking forward, we will continue to:

> Focus on our core business of cement, ready-mix concrete, and aggregates

> Provide our customers with the best value proposition

> Grow profitably through integrated positions across our industry's value chain

> Allocate capital effectively

> Integrate acquisitions quickly and achieve optimal operating standards

**GLOBAL OPERATIONS** (as of December 31, 2008)

| | CEMENT PRODUCTION CAPACITY MILLION METRIC TONS/YEAR | CEMENT PLANTS CONTROLLED | CEMENT PLANTS MINORITY PART. | READY-MIX PLANTS | AGGREGATES QUARRIES | LAND DISTRIBUTION CENTERS | MARINE TERMINALS |
|---|---|---|---|---|---|---|---|
| Mexico | 29.2 | 15 | 3 | 328 | 16 | 80 | 8 |
| United States[1] | 17.5 | 14 | 4 | 536 | 102 | 43 | 11 |
| Spain | 11.4 | 8 | 0 | 104 | 25 | 8 | 17 |
| United Kingdom | 2.8 | 3 | 0 | 236 | 67 | 29 | 6 |
| Rest of Europe[2] | 11.6 | 8 | 1 | 652 | 167 | 46 | 22 |
| South / Central America and Caribbean[3] | 11.2 | 11 | 3 | 88 | 19 | 17 | 11 |
| Africa and Middle East[4] | 5.3 | 1 | 0 | 74 | 10 | 7 | 1 |
| Asia[5] and Australia | 6.6 | 4 | 4 | 270 | 87 | 23 | 12 |
| Total | 95.6 | 64 | 15 | 2,288 | 493 | 253 | 88 |

**1** Includes operations from joint venture with Ready Mix USA. **2** Includes operations in Austria, Croatia, Czech Republic, Finland, France, Germany, Hungary, Ireland, Latvia, Lithuania, Norway, Poland, and Sweden. **3** Includes operations in Argentina, Colombia, Costa Rica, the Dominican Republic, Guatemala, Nicaragua, Panama, and Puerto Rico, as well as other operations in the Caribbean region. **4** Includes operations in Egypt, Israel, and the United Arab Emirates. **5** Includes operations in Bangladesh, China, Malaysia, the Philippines, Taiwan, and Thailand.

### Focus on our core business of cement, ready-mix concrete, and aggregates

Our portfolio of cement, ready-mix concrete, and aggregates assets is concentrated in markets that provide sustainable top- and bottom-line growth throughout the economic cycle. Over the past decade, our consolidated revenue and EBITDA have increased at compounded annual growth rates of 18% and 11%, respectively.

We intend to continue geographically diversifying our cement, ready-mix concrete, and aggregates assets and vertically integrating our operations in new and existing markets by acquiring or developing complementary assets along the value chain. By managing our cement, ready-mix concrete, and aggregate assets as one integrated business rather than as distinct businesses, we make them more efficient and profitable.

### Provide our customers the best value proposition

We always work to provide superior building solutions in the markets we serve. To this end, we customize our products and services to meet our customers' needs—from home construction, improvement, and renovation to agricultural, industrial, and marine/hydraulic applications.

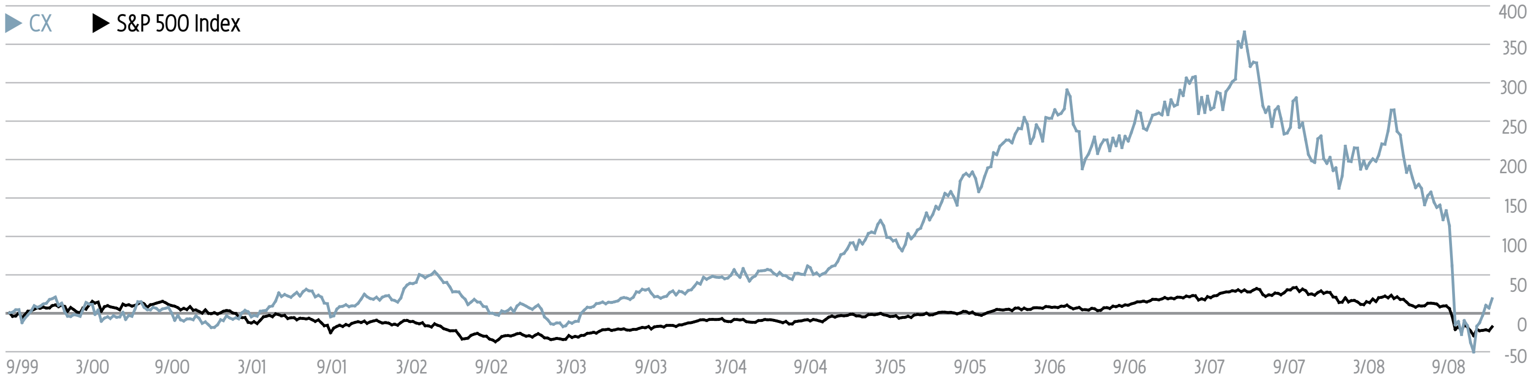
We also see abundant opportunities to deepen our customer relationships by focusing on more vertically integrated building solutions rather than separate products. By developing our integrated offerings, we can provide customers with more reliable, higher-quality service and more consistent product quality.

### Grow profitably over the long term through integrated positions across the value chain

We see ample opportunity for profitable growth across three avenues in particular: 1) organic growth from our existing portfolio; 2) EBITDA growth from disciplined investments in our existing businesses, which improve our margins and/or increase our production capacity; and 3) the long-term acquisition of new operations in our existing or new markets.

Our potential for growth increases substantially when we look down the cement value chain. We believe that there is still ample room for further consolidation in our industry. Thus, we see substantial long-term opportunity for us to acquire new operations and leverage our existing assets, expertise, and infrastructure to intensify our strategic growth across the value chain.

## CX vs. S&P 500 Index
total cumulative return




### Allocate capital effectively

We complement the organic growth of our business with strategic acquisitions and capital investments. As a leading industry consolidator, we take a disciplined approach to capital allocation. We evaluate potential acquisitions in the light of the following investment criteria:

1. The acquisition should provide a return on investment that is well in excess of our weighted cost of capital.
2. Factors that we can influence, in particular the application of our management and turnaround expertise, should principally drive the potential for increasing the acquisition's value.

### Integrate acquisitions quickly and achieve optimal operating standards

We are always looking for ways to improve our productivity and operating efficiency. Toward this end, we have implemented several standardized platforms to reduce our costs, streamline our processes, and extract synergies from our global operations. With each acquisition, we have refined the technological and managerial processes required to integrate new operations into our corporate structure. We have also taken various steps over the past several years to improve our overall product quality and the environmental impact of our operations.

### Alignment with investor interests

**Employee stock-ownership plan**

To better align our executives' interests with those of our stockholders, we began offering executives a new stock-ownership program in 2005. The plan's goal is to move our company's long-term incentives from stock options to programs based on restricted stock, which we believe is more highly valued by our executives and stockholders. As of December 31, 2008, our executives held 53,995,108 restricted CPOs, representing 0.7 percent of our total CPOs outstanding.

**Corporate governance**

We are committed to the highest standards of corporate governance. Our company's board of directors is composed of qualified directors who provide appropriate oversight. The requirement of independence of the audit committee members satisfies applicable law, and at least one member of our audit committee meets the requirements of a "financial expert" as defined by the Sarbanes-Oxley Act of 2002 (SOX).

We also have designed and deployed: 1) a formal internal process to support the certification by our chief executive officer and our executive vice president of planning and finance of the information that we present in CEMEX's periodic reports to the US Securities and Exchange Commission; 2) a system to ensure that relevant information reaches senior management in a timely manner; 3) a system for anonymously and confidentially communicating to the audit committee complaints and concerns regarding accounting and audit issues; 4) a process for anonymously and confidentially submitting complaints related to unethical conduct and misuse of assets; and 5) a task force to follow legal requirements and best corporate-governance practices and, when appropriate, propose further improvements. Moreover, we have modified our code of ethics to reflect the requirements of SOX.

We are in compliance with the applicable sections of SOX, including section 404.

Net sales were US$21.7 billion for the year, practically flat compared with 2007. Lower volumes were partially mitigated by price resiliency in most of our markets. The main drivers of demand in most of our markets continue to be the infrastructure and residential sectors.

Cost of sales as a percentage of sales increased 1.7 percentage points, from 66.6% to 68.3%. The increase was driven mainly by a change in product mix resulting from the Rinker acquisition. Additionally, higher energy, electricity, and transportation costs contributed to the increase, which was partially mitigated by the sale of emission allowances. Selling, general, and administrative (SG&A) expenses as a percentage of sales increased 0.5 percentage points, from 19.7% to 20.2%.

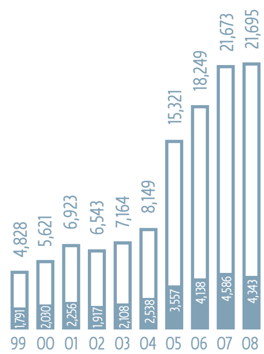
Operating income was down 16% to US$2.5 billion, while EBITDA totaled US$4.3 billion, 5% less than that in 2007. Our EBITDA margin decreased 1.2 percentage points, from 21.2% in 2007 to 20.0% in 2008. The decrease was mainly due to lower economies of scale resulting from our lower volumes.

Financial expenses increased 13% to US$912 million as a result of the increased debt related to the Rinker acquisition. Our interest coverage ratio was 4.9 times, down from 5.7 times at the end of 2007.

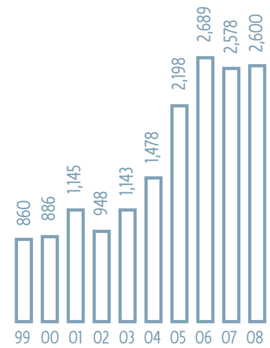
We incurred a US$386 million foreign-exchange loss for the year. This loss was due primarily to the depreciation of the Mexican peso, the euro, and the British pound against the US dollar. We reported a loss on financial instruments of US$1.35 billion in 2008 compared with a gain of US$219 million in 2007. This loss resulted mainly from our peso/US dollar cross-currency swaps and equity forward derivatives related to CEMEX and AXTEL shares, offset in part by the increase in the yen long-term interest rates embedded in our perpetual instruments.

## We have the strategy, resources, and team to overcome the challenges we face.

### Sales and EBITDA
millions of US dollars




### Free cash flow
millions of US dollars




Our majority interest net income for the year decreased 92% to US$203 million.

Free cash flow after maintenance capital expenditures increased 1% to US$2.6 billion, which we used mainly for expansion capital expenditures of US$1.56 billion and to reduce debt.

Net debt was US$17.91 billion at the end of 2008 compared with US$18.90 billion at year-end 2007. At the end of 2008, our net-debt-to-EBITDA ratio stood at 4.0 times, up from 3.6 times for 2007.

As of December 31, 2008, CEMEX had short-term debt of approximately US$6.93 billion. On January 27, 2009, CEMEX and its creditors agreed to extend the term of a portion of its short-term debt. Considering an exchange rate of 13.74 pesos per dollar as of December 31, 2008, approximately US$1.99 billion of its short-term debt will mature in 2010, and approximately US$1.06 billion in 2011.

In December 2008, CEMEX amended and increased, among other terms, the leverage ratio provisions in its existing syndicated facilities and for its Spanish subsidiary, CEMEX España. The new leverage ratio requirement at the CEMEX S.A.B. de C.V. level is a net debt of no more than 4.5 times the trailing 12-month EBITDA on December 31, 2008, increasing to 4.75 times on June 30, 2009, and gradually decreasing to 3.50 times by September 30, 2011 and thereafter.

### Mexico

In 2008 our Mexican operations' net sales were US$3.82 billion, practically flat compared with 2007, and EBITDA rose 3% to US$1.45 billion.

Cement and ready-mix concrete volumes declined 4% and 6%, respectively, for the year. The decline reflected the increasingly challenging macroeconomic environment, which negatively affected construction sector activity. The main drivers of demand for the year were the residential and infrastructure sectors.

### United States

Our US operations' net sales decreased 5% to US$4.70 billion in 2008. EBITDA was US$702 million, representing a 37% decline from 2007.

Our US operations' cement, ready-mix concrete, and aggregates volumes decreased 14%, 13%, and 3%, respectively, for 2008 versus the same period in 2007. On a like-to-like basis for the company's ongoing operations, cement, ready-mix concrete, and aggregates volumes decreased 21%, 30%, and 30%, respectively, for the full year versus the same period in 2007. The residential construction sector continued its downward trend during the year, while overall construction activity weakened further as economic conditions continued to worsen and credit availability became very scarce.

### Spain

Our net sales in Spain decreased 26% during 2008 versus the same period in 2007, reaching US$1.57 billion. EBITDA was US$464 million, down 27% from that in 2007.

Cement and ready-mix concrete volumes decreased 30% and 26%, respectively, for 2008 versus the comparable period in 2007. The country continues to face a challenging economic environment, negatively affecting overall cement demand. For the year, no segment of the construction sector grew. Additionally, the lack of liquidity and overall tighter credit conditions continued to put infrastructure projects on hold.

### United Kingdom

Our UK operations' net sales decreased 16% versus 2007, reaching US$1.71 billion, and EBITDA declined 72% to US$26 million in 2008.

In 2008 cement, ready-mix concrete, and aggregates volumes decreased 16%, 21%—17% adjusting for the ongoing operations—and 11%, respectively. The UK's macroeconomic environment continued to worsen. Lower liquidity negatively affected construction spending and the initiation of new projects in all of the country's market segments.

### Rest of Europe

The rest of our European operations produced net sales growth of 5% to US$4.37 billion and EBITDA growth of 11% to US$532 million for 2008 versus the same period in 2007. As a whole, our regional operations' domestic cement volumes decreased 3% for the year.

In Germany, our domestic cement volume increased 4% for 2008. The nonresidential and infrastructure sectors were the main drivers of cement demand during 2008.

In France, our ready-mix concrete volumes remained flat, while our aggregates volumes decreased 5% for the year. On a like-to-like basis for the company's ongoing operations, our ready-mix concrete volumes remained stable compared with 2007. The main driver of construction growth in the country was the public-works sector.

### South/Central America and Caribbean

Our net sales in the region remained flat at US$2.02 billion, and EBITDA declined 3% to US$658 million in 2008 versus

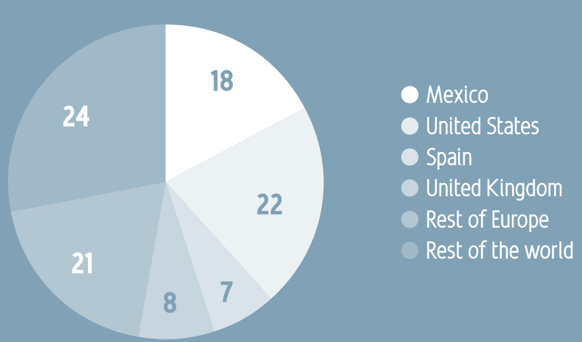
# We have experienced and prospered through the ebb and flow of many cycles.

**Millions of US dollars** (as of December 31, 2008)

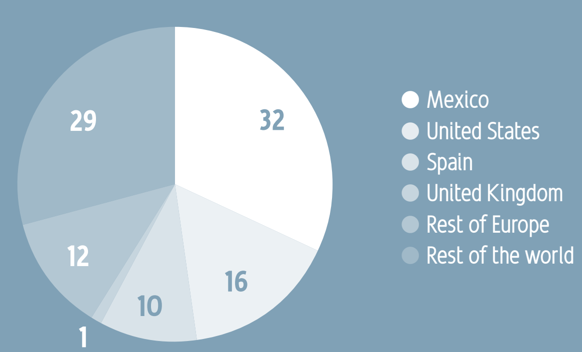
| | SALES | OPERATING INCOME | EBITDA | ASSETS[6] |
|---|---|---|---|---|
| Mexico | 3, 823 | 1,285 | 1,453 | 4,782 |
| United States [1] | 4,698 | 24 | 702 | 20,216 |
| Spain | 1,573 | 350 | 464 | 4,481 |
| United Kingdom | 1,712 | (121) | 26 | 2,757 |
| Rest of Europe [2] | 4,369 | 275 | 532 | 4,481 |
| South/ Central America & Caribbean [3] | 2,023 | 514 | 658 | 2,351 |
| Africa & Middle East [4] | 1,071 | 261 | 296 | 1,496 |
| Asia[5] and Australia | 2,055 | 283 | 355 | 3,065 |
| Other | 371 | (385) | (142) | 1,758 |
| Total | 21,695 | 2,487 | 4,343 | 45,387 |

**1.** Includes operations from joint venture with Ready Mix USA.
**2.** Includes operations in Austria, Croatia, Czech Republic, Finland, France, Germany, Hungary, Ireland, Latvia, Norway, Poland, and Sweden.
**3.** Includes operations in Argentina, Colombia, Costa Rica, the Dominican Republic, Nicaragua, Panama, Puerto Rico, and Venezuela (through July 31, 2008), as well as other operations in the Caribbean region.
**4.** Includes operations in Egypt, Israel, and the United Arab Emirates.
**5.** Includes operations in Bangladesh, China, Malaysia, the Philippines, and Thailand.
**6.** Includes assets in associated participation.

**Sales geographic distribution**
percentage




**EBITDA geographic distribution**
percentage



# The key to our success is disciplined execution of sound strategies by an experienced team.

the comparable period in 2007. As a whole, our regional operations' domestic cement volumes decreased 13% for the year.

Our Colombian operations' cement volumes decreased 3% for 2008 versus the same period in 2007. Residential and non-residential construction were the main drivers of cement demand in the country for the year.

### Africa and the Middle East
Net sales from our operations in Africa and the Middle East were US$1.07 billion, up 41% over 2007. EBITDA increased 69% during 2008 versus the same period in 2007, reaching US$296 million. As a whole, our regional operations' domestic cement volumes increased 8% for the year.

In Egypt, our operations' cement volumes grew 8% for the year. The residential and self-construction sectors were the main drivers of cement demand in the country during 2008.

### Asia and Australia
Our regional operations' net sales rose 64% during 2008 versus the same period in 2007, reaching US$2.06 billion, and EBITDA grew 49% to US$355 million. As a whole, our regional cement volumes decreased 1% for the year.

In Australia, our ready-mix concrete and aggregates volumes increased 6% and 5%, respectively, for the year versus the comparable period in 2007. The commercial and infrastructure sectors were the main drivers of demand in the country during 2008.

Our Philippine operations domestic cement volumes decreased 2% for 2008 versus those in 2007. The residential and infrastructure sectors were the main drivers of demand in the country during 2008.

### Trading
Our global trading network is one of the largest in the industry. Our trading operations help us to optimize our worldwide production capacity, deliver excess cement to where it is most needed, and explore new markets without the necessity of making immediate capital investments. Our worldwide network of strategically located marine terminals and broad third-party customer base also provide us with the added flexibility to fully place contracted supplies in an optimum way.

In 2008 our trading volume totaled almost 11 million metric tons of cementitious materials—including approximately 9 million metric tons of cement and clinker—and we have trading relationships with 105 countries. We also maintain a sizeable trading position of 1.9 million metric tons of granulated blast furnace slag, a non-clinker cementitious material.

In 2008 our trading network allowed us to rapidly redirect excess capacity from our operations affected by a sudden drop in local demand. It also enabled us to promptly adjust our product purchases from third parties in light of declining cement and clinker import requirements.

Freight rates, which have been extremely volatile in recent years, account for a large share of our total import supply cost. However, we have obtained significant savings by timely contracting maritime transportation and by using our own and chartered fleets—which transported approximately 31% of our cement and clinker import volume in 2008.

In addition, we provide freight service to third parties when we have spare fleet capacity. This not only provides us with valuable shipping market information, but also generates additional profit for our operations.

### CEMEX completes sale of assets in Canary Islands

On December 26, 2008, CEMEX sold its Canary Island operations (consisting of cement and ready-mix concrete assets in Tenerife and 50% of the shares in two joint ventures, Cementos Especiales de las Islas, S.A. (CEISA) and Inprocoi, S.L.) to several Spanish subsidiaries of Cimpor Cimentos de Portugal SCPS, S.A. for €162 million.

### EU Competition Authorities initiate investigation of CEMEX's offices in Germany and the UK

On November 4, 2008, CEMEX announced that representatives of the European Union Competition Authority conducted a search of the company's offices in Germany and the United Kingdom.

CEMEX is fully cooperating with the authorities, providing all requested information and producing requested testimonies.

### CEMEX reaches agreement to sell its Austrian and Hungarian operations

On July 31, 2008, CEMEX agreed to sell its operations in Austria (consisting of 26 aggregates quarries and 41 ready-mix concrete plants) and Hungary (consisting of 6 aggregates quarries, 29 ready-mix concrete plants, and 4 paving stone plants) to Strabag SE, one of Europe's leading construction and building materials groups, for €310 million. On February 11, 2009, the Hungarian Competition Council approved the acquisition of control by Strabag SE, with the preliminary condition that Strabag SE sell the ready-mix concrete plant in Salgótarján to a third party within the next year. The transaction is still subject to regulatory approval by the Austrian competition authorities. CEMEX will use the proceeds of the sale to reduce debt.

### CEMEX explores sale of its Australian concrete pipes and products assets

On August 6, 2008, CEMEX announced that it is exploring the sale of certain assets in Australia. CEMEX will use the proceeds from the potential asset sale for debt reduction.

The assets CEMEX is considering for sale operate under the Humes brand name and consist of 16 concrete pipe and product manufacturing facilities located throughout Australia. Humes sold over 620,000 tons of products in 2008, generating revenues of approximately A$287 million.

### CEMEX sells operations in Italy

During 2008, in several transactions, CEMEX sold its operations in Italy (consisting of 4 cement grinding mill facilities) for a total amount of approximately €148 million.

### Venezuela nationalizes cement industry

On August 18, 2008, Venezuelan officials took physical control of the facilities of CEMEX Venezuela, S.A.C.A. ("CEMEX Venezuela"), following the issuance on May 27, 2008 of governmental decrees confirming the expropriation of all of CEMEX Venezuela's assets, shares, and business. Venezuela has paid no compensation to the CEMEX affiliates, CEMEX Caracas Investments B.V. and CEMEX Caracas Investments II B.V. (together, "CEMEX Caracas"), which held a 75.7% interest in CEMEX Venezuela, or to any other former CEMEX Venezuela shareholder.

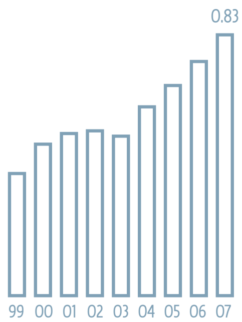
On October 16, 2008, CEMEX Caracas filed a request for arbitration against Venezuela before the International Centre for Settlement of Investment Disputes ("ICSID"), pursuant to the bilateral investment treaty, seeking relief for the expropriation of their interest in CEMEX Venezuela.

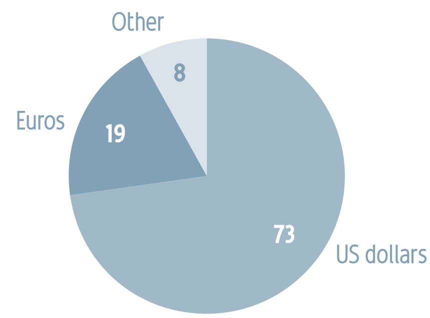
### 96.9% of stockholders receive CPOs or ADSs under CEMEX's stock dividend program

On June 4, 2008, CEMEX announced the completion of its stock dividend program, determined at the Annual Shareholders Meeting on April 24, 2008. A total of 283,981,781 CPOs, including CPOs in the form of ADSs (one ADS represents 10 CPOs), were issued on June 4, 2008, and were distributed to 96.9% of stockholders. The remaining 3.1%, consisting of CPO holders, received a cash payment of MXP 0.867774 per CPO in lieu of the stock dividend, for a total of approximately MXP 214 million (approximately US$21 million) paid by CEMEX.

Under the stock dividend program, CEMEX stockholders received one new CPO for each 27.572516 CPOs held (each representing two series A shares and one series B share), and ADS holders received one new ADS for each 27.572516 ADSs held.

CPO holders had the option to receive a cash payment in lieu of the stock dividend. ADS holders were entitled to receive a stock dividend only. ADS holders could instruct the ADS depositary to sell all or a portion of the additional stock received as a result of the stock dividend into the market and receive the net cash proceeds from such sales.




## CEMEX announces sale of stake in AXTEL

On March 31, 2008, CEMEX announced the sale, through a subsidiary, of 119,000,000 CPOs of AXTEL, S.A.B. de C.V., representing 9.5% of the equity capital of AXTEL. Proceeds from the sale were approximately US$257 million and were paid to the company in April 2008. The sale represented approximately 90% of CEMEX's position in AXTEL, which was part of the company's long-term investments. CEMEX also entered into a forward contract on AXTEL's stock price, which is payable in cash.

## Derivative instruments

CEMEX uses derivative financial instruments such as interest-rate and currency swaps, currency and equity-forward contracts, options, and futures, among others, to change the risk profile associated with changes in interest rates and foreign-exchange rates of debt agreements; reduce financing costs; and hedge highly probable forecasted transactions, net assets in foreign subsidiaries, and CEMEX's stock-option plans.

Under Mexican FRS (Financial Reporting Standards), CEMEX recognizes all derivative financial instruments on the balance sheet as assets or liabilities, at their estimated fair market value, with changes in such fair values recorded on the income statement, except for changes in the fair value of derivative instruments designated and that are effective as hedges of the variability in the cash flows associated with existing assets or liabilities and/or forecasted transactions. These effects are initially recognized in stockholders' equity and subsequently reclassified to earnings as the effects of the underlying hedged instruments or transactions impact the income statement. CEMEX has recognized increases in assets and liabilities, which resulted in a net liability of US$203 million, arising from the fair market value recognition of its derivatives portfolio as of December 31, 2008, which includes US$570 million held as cash collateral by banks, which according to our financial agreements are presented net of the liabilities associated to the derivative instruments. The notional amounts of derivatives substantially match the amounts of underlying assets, liabilities, or equity transactions on which the derivatives are being entered into.

| | NOTIONAL AMOUNTS[1] |
|---|---|
| Equity derivatives | 798 |
| Foreign-exchange derivatives[2] | 1,468 |
| Interest-rate derivatives | 15,527 |

*1 Millions of US dollars as of December 31, 2008*
*2 Excludes derivatives for a notional amount of US$3.02 billion created under various series of CEMEX's perpetual notes, as well as the notional amount of the company's inactive derivative positions (see notes 11C and 11D to CEMEX's consolidated financial statements included in this annual report).*

The estimated aggregate fair market value of CEMEX's active derivative instruments presented above was a loss of US$456 million on December 31, 2008.

# FINANCIAL STATEMENTS

The Board of Directors and Stockholders
CEMEX, S.A.B. de C. V.:

(Millions of Mexican pesos)

We have audited the accompanying consolidated and the parent company-only balance sheets of CEMEX, S.A.B. de C.V. and CEMEX, S.A.B. de C.V. and subsidiaries (the Company) as of December 31, 2008 and 2007, and the related consolidated and parent company-only income statements and stockholders' equity for the years ended December 31, 2008, 2007 and 2006, and the consolidated and parent company-only statements of cash flows for the year ended December 31, 2008 and the consolidated and parent company-only statements of changes in financial position for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements and are prepared in accordance with Mexican Financial Reporting Standards (FRS). An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the reporting standards used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

During 2008, accounting changes were adopted as disclosed in note 2 to the consolidated and parent company-only financial statements.

As discussed in note 2 to the consolidated and parent company-only financial statements, on January 1, 2008 the FRS B-2 "Statement of Cash Flows" came into effect superseding Bulletin B-12 "Statement of Changes in Financial Position"; accordingly, as of such date and in a prospective manner, the Company presents the consolidated and parent company-only statements of cash flows; therefore, such statements and the consolidated and parent company-only statements of changes in financial position are not presented for comparison purposes.

As discussed in note 10 C) to the consolidated and parent company-only financial statements, for the year ended December 31, 2008, the Company recognized in its consolidated income statement a goodwill impairment loss of approximately $18,314, mainly related to its operations in the United States of America, Ireland, Thailand and Venezuela.

In our opinion, the consolidated and parent company-only financial statements referred to above present fairly, in all material respects, the financial position of CEMEX, S.A.B. de C.V. and CEMEX, S.A.B. de C.V. and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and the changes in their stockholders' equity for the years ended December 31, 2008, 2007 and 2006, their cash flows for the year ended December 31, 2008 and changes in their financial position for the years ended December 31, 2007 and 2006, in conformity with Mexican Financial Reporting Standards.

KPMG Cárdenas Dosal, S.C.

**C.P.C. Celin Zorrilla Rizo**

Monterrey, N.L., México
February 6, 2009.

# Consolidated balance sheets

CEMEX, S.A.B. de C.V. and subsidiaries
(Millions of Mexican pesos)

| | Notes | | As of December 31, 2008 | 2007 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **CURRENT ASSETS** | | | | |
| Cash and investments | 3 | $ | 13,604 | 8,670 |
| Trade receivables less allowance for doubtful accounts | 4 | | 18,276 | 20,719 |
| Other accounts receivable | 5 | | 9,945 | 9,830 |
| Inventories, net | 6 | | 22,358 | 19,631 |
| Other current assets | 7 | | 4,012 | 2,394 |
| Total current assets | | | 68,195 | 61,244 |
| **NON-CURRENT ASSETS** | | | | |
| Investments in associates | 8A | | 14,200 | 10,220 |
| Other investments and non-current accounts receivable | 8B | | 24,633 | 11,339 |
| Property, machinery and equipment, net | 9 | | 281,858 | 262,189 |
| Goodwill, intangible assets and deferred charges, net | 10 | | 234,736 | 197,322 |
| Total non-current assets | | | 555,427 | 481,070 |
| **TOTAL ASSETS** | | **$** | **623,622** | **542,314** |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | | |
| **CURRENT LIABILITIES** | | | | |
| Short-term debt including current maturities of long-term debt | 11A | $ | 95,270 | 36,257 |
| Other financial obligations | 11B and D | | 3,462 | – |
| Trade payables | | | 22,543 | 23,660 |
| Other accounts payable and accrued expenses | 12 | | 31,462 | 23,471 |
| Total current liabilities | | | 152,737 | 83,388 |
| **NON-CURRENT LIABILITIES** | | | | |
| Long-term debt | 11A | | 162,824 | 180,654 |
| Other financial obligations | 11B and D | | 1,823 | – |
| Employee benefits | 13 | | 6,788 | 7,650 |
| Deferred income tax liability | 14B | | 38,439 | 50,307 |
| Other non-current liabilities | 12 | | 23,744 | 16,162 |
| Total non-current liabilities | | | 233,618 | 254,773 |
| **TOTAL LIABILITIES** | | | **386,355** | **338,161** |
| **STOCKHOLDERS' EQUITY** | | | | |
| Majority interest: | | | | |
| Common stock | 15A | | 4,117 | 4,115 |
| Additional paid-in capital | 15A | | 70,171 | 63,379 |
| Other equity reserves | 15B | | 28,730 | (104,574) |
| Retained earnings | 15C | | 85,396 | 174,140 |
| Net income | | | 2,278 | 26,108 |
| Total majority interest | | | 190,692 | 163,168 |
| Minority interest and perpetual debentures | 15D | | 46,575 | 40,985 |
| **TOTAL STOCKHOLDERS' EQUITY** | | | **237,267** | **204,153** |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | | **$** | **623,622** | **542,314** |

The accompanying notes are part of these consolidated financial statements.

# Consolidated income statements

CEMEX, S.A.B. de C.V. and subsidiaries
(Millions of Mexican pesos, except for earnings per share)

| | Note | | 2008 | Years ended December 31, 2007 | 2006 |
|---|---|---|---|---|---|
| Net sales | 2Q | $ | 243,201 | 236,669 | 213,767 |
| Cost of sales | 2R | | (166,214) | (157,696) | (136,447) |
| **Gross profit** | | | **76,987** | **78,973** | **77,320** |
| Administrative and selling expenses | | | (33,783) | (33,120) | (28,588) |
| Distribution expenses | | | (15,320) | (13,405) | (14,227) |
| Total operating expenses | 2R | | (49,103) | (46,525) | (42,815) |
| **Operating income** | | | **27,884** | **32,448** | **34,505** |
| Other expenses, net | 2T | | (21,496) | (3,281) | (580) |
| **Operating income after other expenses, net** | | | **6,388** | **29,167** | **33,925** |
| Comprehensive financing result: | | | | | |
| Financial expense | 11 | | (10,223) | (8,809) | (5,785) |
| Financial income | | | 579 | 862 | 536 |
| Results from financial instruments | 11 | | (15,172) | 2,387 | (161) |
| Foreign exchange results | 2E | | (4,327) | (243) | 238 |
| Monetary position result | 2A | | 418 | 6,890 | 4,667 |
| Comprehensive financing result | | | (28,725) | 1,087 | (505) |
| Equity in income of associates | | | 1,098 | 1,487 | 1,425 |
| **Income (loss) before income tax** | | | **(21,239)** | **31,741** | **34,845** |
| Income tax | 14 | | 23,562 | (4,796) | (5,698) |
| Consolidated net income | | | 2,323 | 26,945 | 29,147 |
| Minority interest net income | | | 45 | 837 | 1,292 |
| **MAJORITY INTEREST NET INCOME** | | **$** | **2,278** | **26,108** | **27,855** |
| **BASIC EARNINGS PER SHARE** | 18 | **$** | **0.10** | **1.17** | **1.29** |
| **DILUTED EARNINGS PER SHARE** | 18 | **$** | **0.10** | **1.17** | **1.29** |

The accompanying notes are part of these consolidated financial statements.

# Consolidated statement of cash flows

CEMEX, S.A.B. de C.V. and subsidiaries
(Millions of Mexican pesos)

| | Notes | Year ended December 31, 2008 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| **Consolidated net income** | | **$ 2,278** |
| Non-cash items: | | |
| Depreciation and amortization of assets | 9 and 10 | 20,864 |
| Impairment of assets | 6, 9 and 10 | 21,125 |
| Equity in income of associates | 8A | (1,098) |
| Other expenses, net | | (4,727) |
| Comprehensive financing result | | 28,725 |
| Income taxes | 14 | (23,562) |
| Changes in working capital, excluding financial expense and income taxes | | 1,243 |
| **Net cash flows provided by operating activities before comprehensive financing results and income taxes** | | **44,848** |
| Financial expense paid in cash | | (9,951) |
| Income taxes paid in cash | | (3,625) |
| **Net cash flows provided by operating activities** | | **31,272** |
| **INVESTING ACTIVITIES** | | |
| Property, machinery and equipment, net | 9 | (21,248) |
| Disposal of subsidiaries and associates, net | 8A and 10 | 10,845 |
| Investment derivatives | | 2,856 |
| Intangible assets and other deferred charges | 10 | (1,975) |
| Long-term assets, net | | (2,838) |
| Others, net | | 586 |
| **Net cash flows used in investing activities** | | **(11,774)** |
| **FINANCING ACTIVITIES** | | |
| Issuance of common stock | 15A | 6,794 |
| Financing derivatives | | (12,765) |
| Dividends paid | 15A | (7,009) |
| Repayment of debt, net | 11A | (3,710) |
| Issuance of perpetual debentures, net of interest paid | 15D | (1,801) |
| Non-current liabilities, net | | 1,897 |
| **Net cash flows used in financing activities** | | **(16,594)** |
| Cash and investments conversion effect | | 2,030 |
| Increase in cash and investments | | 4,934 |
| Cash and investments at beginning of year | | 8,670 |
| **CASH AND INVESTMENTS AT END OF YEAR** | 3 | **$ 13,604** |

## Changes in working capital:

| | | |
|---|---|---|
| Trade receivables, net | | $ 3,760 |
| Other accounts receivable and other assets | | 762 |
| Inventories | | (170) |
| Trade payables | | (2,882) |
| Other accounts payable and accrued expenses | | (227) |
| | | **$ 1,243** |

The accompanying notes are part of these consolidated financial statements.

# Consolidated statements of changes in financial position

CEMEX, S.A.B. de C.V. and subsidiaries
(Millions of Mexican pesos)

| | Notes | | Years ended December 31, 2007 | 2006 |
|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | |
| **Majority interest net income** | | **$** | **26,108** | **27,855** |
| Adjustments for items which are non cash: | | | | |
| Depreciation of property, machinery and equipment | 9 | | 14,876 | 12,357 |
| Amortization of intangible assets and deferred charges | 10 | | 2,790 | 1,604 |
| Impairment of assets | 2K | | 195 | 704 |
| Pensions and other post-retirement benefits | 13 | | 995 | 915 |
| Deferred income taxes | 14 | | (427) | 1,258 |
| Deferred employees' statutory profit sharing | | | 25 | – |
| Equity in income of associates | 8A | | (1,487) | (1,425) |
| Minority interest | | | 837 | 1,292 |
| **Net resources provided by operating activities** | | | **43,912** | **44,560** |
| Changes in working capital, excluding acquisition effects: | | | | |
| Trade receivables, net | | | 2,837 | 3,495 |
| Other accounts receivable and other assets | | | 422 | 289 |
| Inventories | | | (1,185) | (1,043) |
| Trade payables | | | (566) | 2,995 |
| Other accounts payable and accrued expenses | | | 205 | (2,451) |
| Net change in working capital | | | 1,713 | 3,285 |
| **Net resources provided by operating activities** | | | **45,625** | **47,845** |
| **FINANCING ACTIVITIES** | | | | |
| Proceeds from debt (repayments), net, excluding debt assumed through business acquisitions | | | 114,065 | (31,235) |
| Decrease of treasury shares owned by subsidiaries | | | 158 | 3,126 |
| Dividends paid | | | (6,636) | (6,226) |
| Issuance of common stock under stock dividend elections and stock option programs | | | 6,399 | 5,976 |
| Issuance of perpetual debentures, net of interest paid | 15D | | 16,981 | 14,490 |
| Other financing activities, net | | | (618) | 1,729 |
| **Net resources provided by (used in) financing activities** | | | **130,349** | **(12,140)** |
| **INVESTING ACTIVITIES** | | | | |
| Property, machinery and equipment, net | 9 | | (21,779) | (16,067) |
| Disposal (acquisition) of subsidiaries and associates | 8A and 10 | | (146,663) | 2,958 |
| Minority interest | | | (1,166) | (86) |
| Goodwill, intangible assets and other deferred charges | 10 | | (1,408) | (2,629) |
| Other investments and monetary foreign currency effect | | | (14,782) | (8,938) |
| **Resources used in investing activities** | | | **(185,798)** | **(24,762)** |
| Increase (decrease) in cash and investments | | | (9,824) | 10,943 |
| Cash and investments at beginning of year | | | 18,494 | 7,551 |
| **CASH AND INVESTMENTS AT END OF YEAR** | 3 | **$** | **8,670** | **18,494** |

The accompanying notes are part of these consolidated financial statements.

# Parent company-only balance sheets

CEMEX, S.A.B. de C.V.
(Millions of Mexican pesos)

| | Note 24 | | As of December 31, 2008 | 2007 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **CURRENT ASSETS** | | | | |
| Other accounts receivable | C | $ | 3,209 | 1,772 |
| Related parties accounts receivable | I | | 508 | 64 |
| Total current assets | | | 3,717 | 1,836 |
| **NON-CURRENT ASSETS** | | | | |
| Investment in subsidiaries and associates | D | | 269,097 | 232,483 |
| Other investments and non-current accounts receivable | | | 1,384 | 2,661 |
| Long-term related parties accounts receivable | I | | 13,943 | 18,647 |
| Land and buildings, net | E | | 1,989 | 1,995 |
| Goodwill and deferred charges, net | F | | 7,204 | 3,304 |
| Total non-current assets | | | 293,617 | 259,090 |
| **TOTAL ASSETS** | | **$** | **297,334** | **260,926** |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | | |
| **CURRENT LIABILITIES** | | | | |
| Short-term debt including current maturities of long-term debt | H | $ | 18,414 | 20,472 |
| Other financial obligations | N2 | | 2,294 | – |
| Other accounts payable and accrued expenses | G | | 1,722 | 1,032 |
| Related parties accounts payable | I | | 4,235 | 20,495 |
| Total current liabilities | | | 26,665 | 41,999 |
| **NON-CURRENT LIABILITIES** | | | | |
| Long-term debt | H | | 58,443 | 53,250 |
| Other financial obligations | N2 | | 1,326 | – |
| Long-term related parties accounts payable | I | | 18,476 | 155 |
| Other liabilities | | | 1,732 | 2,354 |
| Total non-current liabilities | | | 79,977 | 55,759 |
| **TOTAL LIABILITIES** | | | **106,642** | **97,758** |
| **STOCKHOLDERS' EQUITY** | K | | | |
| Common stock | | | 4,117 | 4,115 |
| Additional paid-in capital | | | 70,171 | 63,379 |
| Other equity reserves | | | 28,730 | (104,574) |
| Retained earnings | | | 85,396 | 174,140 |
| Net income | | | 2,278 | 26,108 |
| **TOTAL STOCKHOLDERS' EQUITY** | | | **190,692** | **163,168** |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | | **$** | **297,334** | **260,926** |

The accompanying notes are part of these financial statements.

# Parent company-only income statements

CEMEX, S.A.B. de C.V.
(Millions of Mexican pesos, except for earnings per share)

| | Note 24 | | 2008 | Years ended December 31, 2007 | 2006 |
|---|---|---|---|---|---|
| Equity in income of subsidiaries and associates | D | $ | 4,091 | 28,863 | 26,796 |
| Rental income | I | | 271 | 278 | 287 |
| License fees | I | | 1,197 | 1,177 | 957 |
| **Total revenues** | | | **5,559** | **30,318** | **28,040** |
| Administrative expenses | | | (45) | (28) | (34) |
| **Operating income** | | | **5,514** | **30,290** | **28,006** |
| Other expenses, net | | | (825) | (1,310) | (862) |
| **Operating income after other expenses, net** | | | **4,689** | **28,980** | **27,144** |
| Comprehensive financing result: | | | | | |
| Financial expense | | | (4,993) | (3,425) | (5,268) |
| Financial income | | | 1,670 | 693 | 1,830 |
| Results from financial instruments | | | (4,792) | (1,280) | (1,324) |
| Foreign exchange result | | | 593 | (311) | 438 |
| Monetary position result | B | | – | 1,608 | 1,575 |
| Comprehensive financing result | | | (7,522) | (2,715) | (2,749) |
| **Income (loss) before income tax** | | | **(2,833)** | **26,265** | **24,395** |
| Income tax | J | | 5,111 | (157) | 3,460 |
| **NET INCOME** | | **$** | **2,278** | **26,108** | **27,855** |
| **BASIC EARNINGS PER SHARE** | M | **$** | **0.10** | **1.17** | **1.29** |
| **DILUTED EARNINGS PER SHARE** | M | **$** | **0.10** | **1.17** | **1.29** |

The accompanying notes are part of these financial statements.

# Parent company-only statement of cash flows

CEMEX, S.A.B. de C.V.
(Millions of Mexican pesos)

| | Note 24 | | Year ended December 31, 2008 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| **Net income** | | **$** | **2,278** |
| Adjustments for items which are non cash: | | | |
| Depreciation and amortization of assets | | | 34 |
| Equity in income of subsidiaries and associates | | | (4,091) |
| Comprehensive financing result | | | 7,494 |
| Income taxes | J | | (5,111) |
| Changes in working capital, excluding financial expenses and income tax | | | (16,848) |
| **Resources used in operating activities before comprehensive financing results and income taxes** | | | **(16,244)** |
| Financial expense paid in cash | | | (4,844) |
| Income taxes paid in cash | J | | 738 |
| **Net resources provided by operating activities** | | | **(20,350)** |
| **INVESTING ACTIVITIES** | | | |
| Long-term related parties, net | I | | 25,788 |
| Investment derivatives | | | 1,916 |
| Dividends obtained from associates | | | 70 |
| Investment in subsidiaries | | | (54) |
| Deferred charges | | | (14) |
| Long-term assets, net | | | (43) |
| Others, net | | | 1,679 |
| **Net resources provided by investing activities** | | | **29,342** |
| **FINANCING ACTIVITIES** | | | |
| Issuance of common stock | | | 6,794 |
| Financing derivatives | | | (6,252) |
| Dividends paid | | | (7,009) |
| Proceeds from debt (repayment), net | | | (2,647) |
| Long-term liabilities, net | | | 122 |
| **Net resources used in financing activities** | | | **(8,992)** |
| Decrease in cash and investments | | | – |
| Cash and investments at beginning of year | | | – |
| **CASH AND INVESTMENTS AT END OF YEAR** | | **$** | **–** |
| | | | |
| **Changes in working capital:** | | | |
| Other accounts receivable | | $ | (239) |
| Short-term related parties, net | I | | (16,705) |
| Other accounts payable and accrued expenses | | | 96 |
| | | **$** | **(16,848)** |

The accompanying notes are part of these financial statements.

# Parent company-only statements of changes in financial position

CEMEX, S.A.B. de C.V.
(Millions of Mexican pesos)

| | Note 24 | | Years ended December 31, 2007 | 2006 |
|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | |
| **Net income** | | $ | **26,108** | **27,855** |
| Adjustments for items which are non cash: | | | | |
| Depreciation of property and buildings | | | 6 | 5 |
| Amortization of deferred charges | | | 82 | 141 |
| Deferred income taxes | J | | 957 | (1,335) |
| Equity in income of subsidiaries and associates | | | (28,863) | (26,796) |
| **Resources used in operating activities** | | | **(1,710)** | **(130)** |
| Changes in working capital: | | | | |
| Other accounts receivable | | | (994) | 46 |
| Short-term related parties, net | I | | 26,817 | (6,286) |
| Other accounts payable and accrued expenses | | | (169) | 712 |
| Net change in working capital | | | 25,654 | (5,528) |
| **Net resources provided by (used in) operating activities** | | | **23,944** | **(5,658)** |
| **FINANCING ACTIVITIES** | | | | |
| Proceeds from debt (repayment), net | | | 38,387 | (4,185) |
| Dividends paid | | | (6,636) | (6,226) |
| Issuance of common stock under stock dividend elections and stock option programs | | | 6,399 | 5,976 |
| Other financing activities, net | | | 1,236 | 580 |
| **Net resources provided by (used in) financing activities** | | | **39,386** | **(3,855)** |
| **INVESTING ACTIVITIES** | | | | |
| Long-term related parties, net | I | | (32,435) | 14,592 |
| Investment in subsidiaries and associates | | | (31,581) | (4,746) |
| Goodwill and deferred charges | | | 171 | 57 |
| Other long-term investments and accounts receivable | | | 515 | (390) |
| **Net resources (used in) provided by investing activities** | | | **(63,330)** | **9,513** |
| Change in cash and investments | | | – | – |
| Cash and investments at beginning of year | | | – | – |
| **CASH AND INVESTMENTS AT END OF YEAR** | | $ | **–** | **–** |

The accompanying notes are part of these financial statements.

# Statement of changes in stockholders' equity

CEMEX, S.A.B. de C.V. and CEMEX, S.A.B. de C.V. and subsidiaries
(Millions of Mexican pesos)

| | Note | Common stock | Additional paid-in capital | Other equity reserves | Retained earnings | Total majority interest | Minority interest | Total stockholders' equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at December 31, 2005** | | **$ 4,111** | **51,008** | **(90,882)** | **159,147** | **123,384** | **6,637** | **130,021** |
| Results from holding non-monetary assets | 15B | – | – | (4,031) | – | (4,031) | – | (4,031) |
| Currency translation of foreign subsidiaries | 15B | – | – | 3,331 | – | 3,331 | – | 3,331 |
| Hedge derivative financial instruments | 11 | – | – | 148 | – | 148 | – | 148 |
| Deferred income tax in equity | 14 | – | – | (641) | – | (641) | – | (641) |
| Net income | | – | – | – | 27,855 | 27,855 | 1,292 | 29,147 |
| Comprehensive income for the period | | – | – | (1,193) | 27,855 | 26,662 | 1,292 | 27,954 |
| Dividends ($0.27 pesos per share) | 15A | – | – | – | (6,226) | (6,226) | – | (6,226) |
| Issuance of common stock | 15A | 2 | 5,974 | – | – | 5,976 | – | 5,976 |
| Treasury shares owned by subsidiaries | 15 | – | – | 983 | – | 983 | – | 983 |
| Issuance and effects of perpetual debentures | 15D | – | – | (152) | – | (152) | 14,642 | 14,490 |
| Changes and transactions related to minority interest | 15D | – | – | – | – | – | (87) | (87) |
| **Balance at December 31, 2006** | | **4,113** | **56,982** | **(91,244)** | **180,776** | **150,627** | **22,484** | **173,111** |
| Results from holding non-monetary assets | 15B | – | – | (13,910) | – | (13,910) | – | (13,910) |
| Currency translation of foreign subsidiaries | 15B | – | – | 2,927 | – | 2,927 | – | 2,927 |
| Hedge derivative financial instruments | 11 | – | – | (117) | – | (117) | – | (117) |
| Deferred income tax in equity | 14 | – | – | (427) | – | (427) | – | (427) |
| Net income | | – | – | – | 26,108 | 26,108 | 837 | 26,945 |
| Comprehensive income for the period | | – | – | (11,527) | 26,108 | 14,581 | 837 | 15,418 |
| Dividends ($0.28 pesos per share) | 15A | – | – | – | (6,636) | (6,636) | – | (6,636) |
| Issuance of common stock | 15A | 2 | 6,397 | – | – | 6,399 | – | 6,399 |
| Treasury shares owned by subsidiaries | 15 | – | – | 44 | – | 44 | – | 44 |
| Issuance and effects of perpetual debentures | 15D | – | – | (1,847) | – | (1,847) | 18,828 | 16,981 |
| Changes and transactions related to minority interest | 15D | – | – | – | – | – | (1,164) | (1,164) |
| **Balance at December 31, 2007** | | **4,115** | **63,379** | **(104,574)** | **200,248** | **163,168** | **40,985** | **204,153** |
| Currency translation of foreign subsidiaries | 15B | – | – | 30,987 | – | 30,987 | – | 30,987 |
| Hedge derivative financial instruments | 11 | – | – | (297) | – | (297) | – | (297) |
| Deferred income tax in equity | 14 | – | – | 558 | – | 558 | – | 558 |
| Net income | | – | – | – | 2,278 | 2,278 | 45 | 2,323 |
| Comprehensive income for the period | | – | – | 31,248 | 2,278 | 33,526 | 45 | 33,571 |
| Adoption of new Financial Reporting Standards | 2P | – | – | 104,640 | (107,843) | (3,203) | – | (3,203) |
| Dividends ($0.29 pesos per share) | 15A | – | – | – | (7,009) | (7,009) | – | (7,009) |
| Issuance of common stock | 15A | 2 | 6,792 | – | – | 6,794 | – | 6,794 |
| Treasury shares owned by subsidiaries | 15 | – | – | 12 | – | 12 | – | 12 |
| Issuance and effects of perpetual debentures | 15D | – | – | (2,596) | – | (2,596) | 8,025 | 5,429 |
| Changes and transactions related to minority interest | 15D | – | – | – | – | – | (2,480) | (2,480) |
| **Balance at December 31, 2008** | | **$ 4,117** | **70,171** | **28,730** | **87,674** | **190,692** | **46,575** | **237,267** |

The accompanying notes are part of these financial statements.

## 1. Description of business

CEMEX, S.A.B. de C.V. is a Mexican corporation, a holding company (parent) of entities whose main activities are oriented to the construction industry, through the production, marketing, distribution and sale of cement, ready-mix concrete, aggregates and other construction materials. CEMEX is a public stock corporation with variable capital (S.A.B. de C.V.) organized under the laws of the United Mexican States, or Mexico.

CEMEX, S.A.B. de C.V. was founded in 1906 and was registered with the Mercantile Section of the Public Register of Property and Commerce in Monterrey, N.L., Mexico in 1920 for a period of 99 years. In 2002 this period was extended to the year 2100. The shares of CEMEX, S.A.B. de C.V. are listed on the Mexican Stock Exchange ("MSE") as Ordinary Participation Certificates ("CPOs"). Each CPO represents two series "A" shares and one series "B" share of common stock of CEMEX, S.A.B. de C.V. In addition, CEMEX, S.A.B. de C.V. shares are listed on the New York Stock Exchange ("NYSE") as American Depositary Shares or "ADSs" under the symbol "CX." Each ADS represents ten CPOs.

The terms "CEMEX, S.A.B. de C.V." or the "Parent Company" used in these accompanying notes to the financial statements refer to CEMEX, S.A.B. de C.V. without its consolidated subsidiaries. The terms the "Company" or "CEMEX" refer to CEMEX, S.A.B. de C.V. together with its consolidated subsidiaries. The consolidated financial statements were authorized for their issuance by the Company's management on February 6, 2009 and will be submitted for approval in the next stockholders' meeting.

## 2. Significant accounting policies

### A) Basis of presentation and disclosure

The Parent Company-only financial statements and their accompanyng notes (note 24); complementary to the consolidated financial statements are presented herein to comply with legal requirements to which the Company is subject as an independent legal entity.

The financial statements are prepared in accordance with Mexican Financial Reporting Standards ("MFRS") issued by the Mexican Board for Research and Development of Financial Reporting Standards ("CINIF"), which recognized the effects of inflation on the financial information until December 31, 2007. Changes in inflationary accounting effective beginning on January 1, 2008 are detailed below.

#### Inflationary accounting

Beginning January 1, 2008, according to new MFRS B-10, "Inflation Effects" ("MFRS B-10"), inflationary accounting will only be applied in a high-inflation environment, defined by the MFRS B-10 as existing when the cumulative inflation for the preceding three years equals or exceeds 26%. Until December 31, 2007, inflationary accounting was applied to all CEMEX subsidiaries regardless of the inflation level of their respective country. Beginning in 2008, only the financial statements of those subsidiaries whose functional currency corresponds to a country under high inflation will be restated to account for inflation. The designation of a country as a high inflation environment takes place at the end of each year and inflation restatement is applied prospectively. As of December 31, 2007, except for Venezuela and Costa Rica, all other CEMEX's subsidiaries operated in low-inflation environments; therefore, in these cases restatement of their financial statements to account for inflation was suspended starting on January 1, 2008.

Beginning in 2008, MFRS B-10 eliminates the restatement of the financial statements for the period as well as the comparative financial statements for prior periods into constant amounts as of the most recent balance sheet date. Beginning in 2008, the amounts in the income statement, the statement of cash flows and the statement of changes in stockholders' equity are presented in nominal pesos. The amounts of the financial statements for prior periods are presented in constant pesos as of December 31, 2007, the last date in which inflationary accounting was applied.

The restatement adjustments as of the date that the inflationary accounting was discontinued should prevail as part of the carrying amounts. When moving from a low-inflation to a high-inflation environment, the initial restatement factor should consider the cumulative inflation since the last time inflationary accounting was applied.

Upon adoption of new MFRS B-10, on January 1, 2008, the accumulated result for holding non-monetary assets as of December 31, 2007, was reclassified from "Deficit in equity restatement" (note 15B) to "Retained earnings," representing a decrease in this caption of approximately $97,722.

#### Statement of cash flows

Beginning in 2008, the new MFRS B-2, "Statement of cash flows" ("MFRS B-2"), establishes the incorporation of a new cash flow statement, which presents cash inflows and outflows in nominal currency as part of the basic financial statements, replacing the statement of changes in financial position, which included inflation effects and foreign exchange effects not realized. Under MFRS B-2, only the cash flow statement is presented for the period 2008 and the statement of changes in financial position for the years ended December 31, 2007 and 2006, originally reported as of each year, are presented in constant pesos as of December 31, 2007.

### Definition of terms

When reference is made to “pesos” or “$,” it means Mexican pesos. Except when specific references are made to “earnings per share” and “prices per share,” the amounts in these notes are stated in millions of pesos. When reference is made to “US$” or “dollars,” it means dollars of the United States of America (“United States” or “U.S.A.”). When reference is made to “£” or “pounds,” it means British pounds sterling. When reference is made to “€” or “euros,” it means millions of the currency in circulation in a significant number of European Union countries.

When it is deemed relevant, certain amounts presented in the notes to the financial statements include between parentheses a translation into dollars, into pesos, or both, as applicable. These translations are informative data and should not be construed as representations that the amounts in pesos actually represent those dollar amounts or could be converted into dollars at the rate indicated. The translation procedures used are detailed as follows:

- When the amount between parentheses is in dollars, the amount was originated in pesos or other currencies. In 2008, such dollar translations were calculated using the closing exchange rate of $13.74 pesos per dollar for balance sheet amounts and using the average exchange rate of $11.21 pesos per dollar for the income statement amounts. For 2007 and 2006, the constant peso amounts as of December 31, 2007, were translated using the closing exchange rate as of December 31, 2007 for balance sheet and income statement accounts. For 2008, translation to pesos was calculated using the closing exchange rate of $13.74 pesos per dollar for balance sheet accounts and using the average exchange rate of $11.21 pesos per dollar for income statement accounts. In 2007 and 2006, translation to pesos was calculated using the closing exchange rate at the end of each year and were restated to constant pesos as of December 31, 2007 for balance sheet and income statement accounts.
- When the amounts between parentheses are the peso and the dollar, it means the disclosed amount was originated in other currencies. In 2008, foreign currency amounts were translated into dollars using the closing exchange rates at year-end; and translated into pesos using the closing exchange rate of $13.74 pesos per dollar. In 2007 and 2006, amounts in foreign currency were converted into dollars using the closing exchange rates for each year; such dollars were converted into pesos using the closing exchange rate of each year and were restated into constant pesos as of December 31, 2007.

### Income statement

New MFRS B-3, “Income Statement,” effective beginning January 1, 2007, establishes presentation and disclosure requirements for the captions that are included in the income statement. CEMEX’s income statement for 2006 was reclassified to comply with the presentation rules required in 2007.

## B) Restatement of comparative financial statements

Until December 31, 2007, the restatement factors applied to the consolidated financial statements of prior periods were calculated using the weighted average inflation and the fluctuation in the exchange rate of each country in which the Company operates relative to the Mexican peso. Nevertheless, in compliance with Mexican regulation, common stock and additional paid-in capital are restated by Mexican inflation; the weighted average inflation factor is used for all other restatement adjustments to stockholders’ equity. The related inflation adjustment is included within “Other equity reserves” in the balance sheet.

| | 2006 to 2007 | 2005 to 2006 |
|---|---|---|
| Weighted average restatement factor | 1.0846 | 1.0902 |
| Mexican inflation restatement factor | 1.0398 | 1.0408 |

## C) Principles of consolidation

The consolidated financial statements include those of CEMEX, S.A.B. de C.V. and the entities in which the Parent Company holds, directly or through subsidiaries, more than 50% of their common stock and/or has control. Control exists when CEMEX has the power, directly or indirectly, to govern the administrative, financial and operating policies of an entity in order to obtain benefits from its activities.

The financial statements of joint ventures, which are those entities in which CEMEX and third-party investors have agreed to exercise joint control, are consolidated through the proportional integration method considering CEMEX’s interest in the results of operations, assets and liabilities of such entities, based on International Accounting Standard No. 31, “Interests in Joint Ventures.” CEMEX applies the full consolidation or the equity method, as applicable, for those joint ventures in which one of the venture partners controls the entity’s administrative, financial and operating policies.

Investments in associates are accounted for by the equity method, when CEMEX holds between 20% and 50% and has significant influence unless it is proven that CEMEX has significant influence with a lower percentage. Under the equity method, after acquisition, the investment’s original cost is adjusted for the proportional interest of the holding company in the associate’s equity and earnings, considering the effects of inflation.

## D) Use of estimates

The preparation of financial statements in accordance with MFRS requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the period. These assumptions are reviewed on an ongoing basis using available information. Actual results could differ from these estimates.

The main captions subject to estimates and assumptions include, among others, long-lived assets, allowances for doubtful accounts, inventories, deferred income tax assets, the fair market values of financial instruments and the assets and liabilities related to employee benefits.

## E) Foreign currency transactions and translation of foreign currency financial statements

Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the dates of their execution. Monetary assets and liabilities denominated in foreign currencies are translated into pesos at the exchange rates prevailing at the balance sheet date, and the resulting foreign exchange fluctuations are recognized in earnings, except for the exchange fluctuations arising from: 1) foreign currency indebtedness directly related to the acquisition of foreign entities; and 2) fluctuations associated with related parties' balances denominated in foreign currency that are of a long-term investment nature. These fluctuations are recorded against stockholders' equity, as part of the foreign currency translation adjustment of foreign subsidiaries (note 15B).

Starting in 2008, the financial statements of foreign subsidiaries, which are determined using the functional currency applicable in each country, are translated to pesos at the closing exchange rate for balance sheet accounts and at the average exchange rate of each month for income statement accounts. The corresponding translation adjustment is included within "Other equity reserves" in the balance sheet. Until December 31, 2007, the financial statements of foreign subsidiaries were restated in their functional currency based on the subsidiary country's inflation rate and subsequently translated by using the foreign exchange rate at the end of the reporting period for balance sheet and income statement accounts.

The closing exchange rates used to translate the financial statements of the Company's main foreign subsidiaries as of December 31, 2008 for balance sheet accounts, and in 2007 and 2006 for balance sheet and income statement accounts, and in 2008 the approximate average exchange rates for income statement accounts are the following:

| Currency | 2008 | | 2007 | 2006 |
|---|---|---|---|---|
| | Closing | Average | | |
| United States Dollars | 13.7400 | 11.2100 | 10.9200 | 10.8000 |
| Euro | 19.2060 | 16.4394 | 15.9323 | 14.2612 |
| British Pound Sterlin | 20.0496 | 20.4413 | 21.6926 | 21.1557 |
| Colombian Peso | 0.0061 | 0.0056 | 0.0054 | 0.0048 |
| Venezuelan Bolivar | 6.3907 | 4.8738 | 5.1000 | 5.0000 |
| Egyptian Pound | 2.4889 | 2.0578 | 1.9802 | 1.8888 |
| Philippine Peso | 0.2891 | 0.2509 | 0.2645 | 0.2203 |

The financial statements of foreign subsidiaries are initially translated from their functional currencies into dollars and subsequently into pesos. Therefore, the foreign exchange rates presented in the table above between the functional currency and the peso represent the exchange rates resulting from this methodology. The peso to U.S. dollar exchange rate used by CEMEX is an average of free market rates available to settle its foreign currency transactions. No significant differences exist, in any case, between the foreign exchange rates used by CEMEX and those exchange rates published by the Mexican Central Bank.

## F) Cash and investments (note 3)

The balance in this caption is comprised of available amounts of cash and cash equivalents, represented by investments held for trading purposes, which are easily convertible into cash and have maturities of less than three months from the investment date. Those investments in fixed-income securities are recorded at cost plus accrued interest. Investments in marketable securities, such as shares of public companies, are recorded at market value. Gains or losses resulting from changes in market values, accrued interest and the effects of inflation arising from these investments are included in the income statements as part of the Comprehensive Financing Result.

The balance in cash and investment accounts excludes amounts deposited in margin accounts in financial institutions that guarantee CEMEX obligations incurred through derivative financial instruments. When contracts of such instruments contain provisions for net settlement, these margin accounts are offset against the liabilities that CEMEX has with its counterparts (note 11B).

## G) Inventories (note 6)

Starting in 2008, based on the changes to MFRS B-10 (note 2A), inventories are valued using the lower between production cost and market value. Until 2007, inventories were valued using the lower between their replacement cost and market value. Production cost may correspond to the latest purchase price, the average price of the last purchases or the last production cost. CEMEX analyzes its inventory balances to determine if, as a result of internal events, such as physical damage, or external events, such as technological changes or market conditions, certain portions of such balances have become obsolete or impaired. When an impairment situation arises, the inventory balance is adjusted to its net realizable value, whereas, if an obsolescence situation occurs, the inventory obsolescence reserve is increased. In both cases, these adjustments are recognized against the results of the period.

### H) Other investments and non-current receivables (note 8B)

Other investments and non-current accounts receivable include CEMEX's collection rights with maturities of more than twelve months as of the balance sheet date. Non-current assets resulting from the valuation of derivative financial instruments, as well as investments in private funds and other investments are recognized at their estimated fair value as of the balance sheet date, and their changes in valuation are included in the income statement as part of the Comprehensive Financing Result.

### I) Property, machinery and equipment (note 9)

Property, machinery and equipment are recognized at their acquisition or construction cost and amounts are restated considering guidelines from MFRS B-10 (note 2A). Starting on January 1, 2008, when inflationary accounting is applied only during periods of high inflation, such assets should be restated using the factors derived from the general price index of the countries where the assets are held. Until December 31, 2007, property, machinery and equipment were presented at their restated value, using the inflation index of each country, except for those foreign assets which are restated using the inflation index of the fixed assets' origin country and the variation in the foreign exchange rate between the country of origin currency and the functional currency of the country holding the asset.

Depreciation of fixed assets is recognized within "Cost of sales" and "Administrative and selling expenses," depending on the utilization of the respective assets, and is calculated using the straight-line method over the estimated useful lives of the assets, except for mineral reserves, which are depleted using the units-of-production method. The maximum average useful lives by category of assets are as follows:

| | Years |
|---|---|
| Administrative buildings | 32 |
| Industrial buildings | 26 |
| Machinery and equipment in plant | 19 |
| Ready-mix trucks and motor vehicles | 8 |
| Office equipment and other assets | 7 |

For the years ended December 31, 2008, 2007 and 2006, CEMEX capitalized, as part of the historical cost of fixed assets, the Comprehensive Financing Result, which includes interest expense, and until December 31, 2007 or when inflationary accounting is applied during periods of high inflation, the monetary position result, arising from indebtedness incurred during the construction or installation period of significant fixed assets, considering the average balance of investments in process for the period, since indebtedness is not specifically associated with projects.

Costs incurred in respect of operating fixed assets that result in future economic benefits, such as an extension in their useful lives, an increase in their production capacity or in safety, as well as those costs incurred to mitigate or prevent environmental damage, are capitalized as part of the carrying amount of the related assets. These capitalized costs are depreciated over the remaining useful lives of the related fixed assets. Other costs, including periodic maintenance on fixed assets, are expensed as incurred.

### J) Business combinations, goodwill, other intangible assets and deferred charges (note 10)

In accordance with MFRS B-7, "Business Combinations," CEMEX applies the following accounting principles: a) adoption of the purchase method as the sole recognition alternative; b) allocation of the purchase price to all assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date; c) intangible assets acquired are identified and recognized at fair value; d) any unallocated portion of the purchase price is recognized as goodwill; and e) goodwill is not amortized and is subject to periodic impairment tests (note 2K).

CEMEX capitalizes intangible assets acquired, as well as costs incurred in the development of intangible assets, when future economic benefits associated are identified and there is evidence of control over such benefits. Intangible assets are presented at their acquisition or development cost, and are restated during high inflation periods to comply with MFRS B-10 (note 2A). Such assets are classified as having a definite or indefinite life; the latter are not amortized since the period cannot be accurately established in which the benefits associated with such intangibles will terminate. Amortization of intangible assets of definite life is calculated under the straight-line method.

Direct costs incurred in debt issuances or borrowings are capitalized and amortized as part of the effective interest rate of each transaction over its maturity. These costs include commissions and professional fees. Direct costs incurred in the development stage of computer software for internal use are capitalized and amortized through the operating results over the useful life of the software, which is approximately 5 years.

Pre-operational expenses are recognized in the income statement as they are incurred. Costs associated with research and development activities ("R&D"), performed by CEMEX to create new products and services, as well as to develop processes, equipment and methods to optimize operational efficiency and reduce costs, are recognized in the operating results as incurred. The Technology and Energy departments in CEMEX undertake all significant R&D activities as part of their daily routines. In 2008, 2007 and 2006, total combined expenses of these departments were approximately $348 (US$31), $437 (US$40) and $503 (US$46), respectively.

### K) Impairment of long lived assets (notes 9 and 10)

#### Property, machinery and equipment, intangible assets of definite life and other investments

According to MFRS C-15, “Impairment and disposal of long-lived assets” (“MFRS C-15”), property, machinery and equipment, intangible assets of definite life and other investments are tested for impairment upon the occurrence of factors such as the occurrence of a significant adverse event, changes in the operating environment in which CEMEX operates, changes in projected use or in technology, as well as expectations of lower operating results for each cash generating unit, in order to determine whether their book value may not be recovered, in which case an impairment loss is recorded in the income statement, within other expenses, net, for the period when such determination is made. The impairment loss results from the excess of the carrying amount over the net present value of estimated cash flows related to such assets.

#### Goodwill and intangible assets of indefinite life

Goodwill and other intangible assets of indefinite life are tested for impairment when needed or at least once a year, during the last quarter of the period, by determining the value in use of the reporting units, which consists in the discounted amount of estimated future cash flows to be generated by the reporting units to which those assets relate. A reporting unit refers to a group of one or more cash generating units. An impairment loss is recognized if the value in use is lower than the net book value of the reporting unit. CEMEX determines the discounted amount of estimated future cash flows over a period of 5 years, unless a longer period is justified in a specific country considering its economic cycle and the situation of the industry.

The geographic segments reported by CEMEX (note 17), each integrated by multiple cash generating units, also represent the reporting units for purposes of testing goodwill for impairment. CEMEX concluded that the operating components that integrate the reported segment have similar economic characteristics, by considering: a) that the reported segments are the level used by CEMEX to organize and evaluate its activities in the internal information system; b) the homogeneous nature of the items produced and traded in each operative component, which are all used by the construction industry; c) the vertical integration in the value chain of the products comprising each component; d) the type of clients, which are substantially similar in all components; e) the operative integration among components; and f) that the compensation system of a specific country is based on the consolidated results of the geographic segment and not on the particular results of the components.

Impairment tests are significantly sensitive, among other factors, to the estimation of future prices of CEMEX’s products, the development of operating expenses, local and international economic trends in the construction industry, as well as the long-term growth expectations in the different markets. Likewise, the discount rates and the rates of growth in perpetuity used have an effect on such impairment tests. CEMEX uses specific discount rates for each reporting unit, which considers the weighted average cost of capital of each country.

### L) Derivative financial instruments (note 11B, C and D)

In compliance with the guidelines established by its Risk Management Committee, CEMEX uses derivative financial instruments (“derivative instruments”), in order to change the risk profile associated with changes in interest rates, the exchange rates of debt, or both, as an alternative source of financing, and as hedges of: (i) highly probable forecasted transactions; (ii) the Company’s net investments in foreign subsidiaries; and (iii) executive stock option programs.

CEMEX recognizes derivative financial instruments as assets or liabilities in the balance sheet at their estimated fair value, and the changes in such fair values are recognized in the income statement within “Results from financial instruments” for the period in which they occur, except for hedges of cash flows and the net investment in foreign subsidiaries. Some derivative instruments have been designated as hedges. The accounting rules applied to specific derivative instruments are as follows:

a) Changes in the fair value of interest rate swaps to exchange floating rates for fixed rates, designated and that are effective as hedges of the variability in the cash flows associated with the interest expense of a portion of the debt, as well as instruments negotiated to hedge the interest rates at which forecasted debt is expected to be contracted or existing debt renegotiated, are recognized in stockholders’ equity. These effects are reclassified to earnings as the interest expense of the related debt is accrued, or in the case of forecasted transactions, once the related debt has been negotiated and recognized in the balance sheet.

b) Changes in the fair value of foreign currency forwards, designated as hedges of a portion of CEMEX’s net investment in foreign subsidiaries, whose functional currency is different from the peso, are recognized in stockholders’ equity, offsetting the foreign currency translation result (notes 2E and 15B). The reversal of the cumulative effect in stockholders’ equity to earnings would take place upon disposal of the foreign investment. When the hedging condition for these instruments is suspended, the subsequent valuation effects are recognized prospectively in the income statement as of the suspension date.

c) Changes in the fair value of forward contracts in the Company’s own shares are recognized in the income statement as incurred, including those contracts designated as hedges of executive stock option programs. These effects are recognized as part of the costs related to such programs.

d) Changes in the fair value of foreign currency options and forward contracts, negotiated to hedge an underlying firm commitment, are recognized in stockholders’ equity and are reclassified to earnings once the firm commitment takes place, as the effects from the hedged item are recognized in the income statement. With respect to a foreign currency hedge associated with a firm commitment for the acquisition of a net investment in a foreign country, the accumulated effect in stockholders’ equity is reclassified to the income statement when the purchase occurs.

e) Changes in fair value generated by interest rate swaps, cross currency swaps (“CCS”) and other derivative instruments not designated as cash flow hedges are recognized in the income statement as they occur. The valuation effects of CCS are recognized and presented separately from the related short-term and long-term debt in the balance sheet; consequently, debt associated with the CCS is presented in the currencies originally negotiated.

Accrued interest generated by interest rate swaps and CCS is recognized as financial expense, adjusting the effective interest rate of the related debt. Accrued interest from other hedging derivative instruments is recorded within the same caption when the effects of the primary instrument subject to the hedging relation are recognized.

CEMEX reviews its different contracts to identify the existence of embedded derivatives. Identified embedded derivatives are analyzed to determine if, according to MFRS, they need to be separated from the host contract and recognized in the balance sheet as assets or liabilities at their estimated fair value, with changes in valuation recognized in the results for the period in which they occur, except when the embedded derivative is designated in a cash flow hedge transaction. In that case, the effective portion of the embedded derivative is temporarily recognized in other comprehensive income and is reclassified to earnings jointly with the effects of the underlying hedged item. The ineffective portion is immediately recognized in earnings.

Derivative instruments are negotiated with institutions with significant financial capacity; therefore, CEMEX considers the risk of non-performance of the obligations agreed to by such counterparties to be minimal. The estimated fair value represents the amount at which a financial asset could be bought or sold, or a financial liability could be extinguished, between willing parties in an arm's length transaction. Occasionally, there is a reference market that provides the estimated fair value; in the absence of such market, such value is determined by the net present value of projected cash flows or through mathematical valuation models. The estimated fair values of derivative instruments determined by CEMEX and used for valuation, recognition and disclosure purposes in the financial statements and their notes, are supported by the confirmations of these values received from the financial counterparts, which act as valuation agents in these transactions.

### M) Provisions

CEMEX recognizes provisions when it has a legal or constructive obligation resulting from past events, whose resolution would imply cash outflows or the delivery of other resources owned by the Company.

#### Restructuring (note 12)

CEMEX recognizes a provision for restructuring costs only when the restructuring plans have been properly finalized and authorized by CEMEX's management, and have been communicated to the third parties involved and/or affected by the restructuring prior to the balance sheet date. These provisions may include costs not associated with CEMEX's ongoing activities.

#### Asset retirement obligations (note 12)

CEMEX recognizes a liability for unavoidable obligations, legal or constructive, to restore operating sites upon retirement of tangible long-lived assets at the end of their useful lives. These liabilities represent the net present value of estimated future cash flows to be incurred in the restoration process, and they are initially recognized against the related assets' book value. The increase to the assets' book value is depreciated during its remaining useful life. The increase in the liability related to the passage of time, is charged to the income statement. Adjustments to the liability for changes in the estimated cash flows or the estimated disbursement period are recognized against fixed assets, and depreciation is modified prospectively.

Asset retirement obligations are related mainly to future costs of demolition, cleaning and reforestation, so that the sites for the extraction of raw materials, the maritime terminals and other production sites are left in acceptable condition at the end of their operation.

#### Costs related to remediation of the environment (notes 12 and 20)

CEMEX recognizes a provision when it is probable that an environmental remediation liability exists and that it will represent an outflow of resources. The provision represents the estimated future cost of remediation. Provisions for environmental remediation costs are recognized at their nominal value when the time schedule for the disbursement is not clear, or when the economic effect for the passage of time is not significant; otherwise, such provisions are recognized at their discounted values. Reimbursements from insurance companies are recognized as assets only when their recovery is practically certain. In that case, such insurance reimbursement assets are not offset against the provision for remediation costs.

#### Contingencies and commitments (notes 19 and 20)

Obligations or losses related to contingencies, are recognized as liabilities in the balance sheet when present obligations exist resulting from past events that are expected to result in an outflow of resources and the amount can be measured reliably. Otherwise, a qualitative disclosure is included in the notes to the financial statements. The effects of long-term commitments established with third parties, such as supply contracts with suppliers or customers, are recognized in the financial statements on the incurred or accrued basis, after taking into consideration the substance of the agreements. Relevant commitments are disclosed in the notes to the financial statements. The Company does not recognize contingent revenues, income or assets.

### N) Employee benefits (note 13)

#### Employees' statutory profit sharing

Under new MFRS D-3, "Employee Benefits" ("MFRS D-3"), beginning on January 1, 2008, current and deferred employees' statutory profit sharing ("ESPS") is not considered an element of income taxes. Likewise, deferred ESPS shall be calculated using the assets and liabilities method, applying the ESPS rate to the total temporary differences resulting from comparing the book values and the taxable values for ESPS purposes of assets and liabilities according to applicable legislation. Until December 31, 2007, deferred ESPS was determined considering temporary differences of a non-recurring nature, arising from the reconciliation of net income and the taxable income of the period for ESPS purposes. The cumulative initial effect for the adoption of new MFRS D-3 as of January 1, 2008, represented an expense of approximately $2,283, which was included within "Retained earnings." For the years ended December 31, 2008, 2007 and 2006, current and deferred ESPS represented an income of approximately $2,283 and expenses of approximately $246 and $180, respectively. Current and deferred ESPS is presented within "Other expenses, net."

### Defined contribution plans

The costs of defined contribution pension plans are recognized in the operating results as they are incurred. Liabilities arising from such plans are periodically settled through cash transfers to the employees' retirement accounts, without generating future obligations.

### Defined benefit plans, other post-retirement benefits and termination benefits

CEMEX recognizes the costs associated with employees' benefits for: a) defined benefit pension plans; b) other post-retirement benefits, basically comprised of health care benefits, life insurance and seniority premiums, granted pursuant to applicable law or by Company grant; and c) termination benefits, not associated with a restructuring event, which mainly represent ordinary severance payments by law. These costs are recognized in the operating results, as services are rendered, based on actuarial estimations of the benefits' present value. The actuarial assumptions upon which the Company's employee benefit liabilities are determined consider the use of real rates (nominal rates discounted by inflation).

The prior service cost, the transition liability as well as a portion of the actuarial gains and losses ("actuarial results"), which exceeds a corridor of the greater of 10% of the fair value of any plan assets and of 10% of the present value of the defined benefit obligation, are amortized to the operating results over the employees' estimated active service life. Considering the transition rules of new MFRS D-3, beginning January 1, 2008, the actuarial results, prior services and the transition liability recognized as of December 31, 2007, should be amortized in the income statement in a maximum period of five years. The net cost of the period for the year ended December 31, 2008 includes a portion of this transition amortization.

For certain pension plans, irrevocable trust funds have been created to cover future benefit payments. These assets are valued at their estimated fair value at the balance sheet date.

The net period cost recognized in the operating results includes: a) the increase in the obligation resulting from additional benefits earned by employees during the period; b) interest cost, which results from the increase in the liability by the passage of time; c) the amortization of the actuarial gains and losses, prior service cost and transition liability; and d) the expected return on plan assets for the period. Beginning in 2008, the excess of amortization expense in the net periodic pension cost resulting from the transition rule is recognized within "Other expenses, net."

### O) Income taxes (note 14)

The effects reflected in the income statements for income taxes include the amounts incurred during the period as well as the amounts of deferred income taxes, in both cases determined according to the income tax law applicable to each subsidiary. According to MFRS D-4, "Accounting for Income Taxes" ("MFRS D-4"), income taxes incurred during the period are presented in the income statement. Consolidated deferred income taxes represent the addition of the amounts determined in each subsidiary under the assets and liabilities method, by applying the enacted statutory income tax rate to the total temporary differences resulting from comparing the book and taxable values of assets and liabilities, taking into account and subject to a recoverability analysis, tax loss carryforwards as well as other recoverable taxes and tax credits. According to MFRS, all items charged or credited directly in stockholders' equity are recognized net of their deferred income tax effects. The effect of a change in enacted statutory tax rates is recognized in the income statement for the period in which the change occurs and is officially enacted.

Management analyzes projections of future taxable income in each consolidated entity to evaluate whether it will obtain the tax benefits associated with the deferred income tax assets and tax loss carryforwards prior to their expiration. When it is determined that future operations would not generate sufficient taxable income, or that tax strategies are no longer viable, the valuation allowance on such assets would be increased against the income statement.

On January 1, 2008, CEMEX adopted the new MFRS D-4, which: a) reclassified current and deferred ESPS to MFRS D-3, "Employee Benefits;" b) in connection with recoverable taxes paid against income tax of future periods, amounts should be recognized as a deferred tax asset only when it is probable that such tax will be recovered against the future income tax; c) required the cumulative effect at December 31, 2007 for the initial recognition of deferred income tax effects from the adoption of the assets and liabilities method to be reclassified from "Other equity reserves" to "Retained earnings" (note 2P); and d) eliminated the exception not to calculate deferred income tax for investments in associates. CEMEX recognized the cumulative initial effect as of January 1, 2008 within retained earnings in the consolidated stockholders' equity.

### P) Stockholders' equity

Based on the new MFRS B-10 (note 2A), beginning on January 1, 2008, inflationary accounting was suspended considering that Mexico and the main countries in which CEMEX has operations have low-inflation environments. Until December 31, 2007, stockholders' equity was restated using the restatement factors that considered the weighted averaged inflation and the changes between the exchange rates of the countries in which CEMEX operates and the Mexican peso. In compliance with Mexican regulations, common stock and additional paid-in capital were restated using the Mexican inflation factor; the other stockholders' equity items were restated using the weighted average restatement factor. The corresponding inflation adjustment was included within "Other equity reserves" in the balance sheet.

### Common stock and additional paid-in capital (note 15A)

Balances of common stock and additional paid-in capital represent the value of stockholders' contributions.

### Other equity reserves (note 15B)

Other equity reserves groups the cumulative effects of items and transactions that are, temporarily or permanently, recognized directly to stockholders' equity. This caption includes the elements of "Comprehensive income for the period," which is presented in the statement of changes in stockholders' equity. Comprehensive income includes, in addition to net income, certain changes in stockholders' equity during a period, not resulting from investments by owners and distributions to owners.

The most important items within "Other equity reserves" are as follows:

### Items of comprehensive income within "Other equity reserves":

- Results from holding non-monetary assets, included until December 31, 2007 the revaluation effect during high inflation periods, of non-monetary assets in each country, using specific restatement factors that differ from the weighted average consolidated inflation;
- Currency translation effects from the translation of foreign subsidiaries' financial statements, net of: a) changes in the estimated fair value of foreign currency forward contracts, designated as hedges of a portion of CEMEX's net investment in foreign subsidiaries whose functional currency is different from the peso (note 2L); b) foreign currency indebtedness directly related to the acquisition of foreign subsidiaries; and c) foreign currency related parties balances that are of a long-term investment nature (note 2E);
- The effective portion of the valuation and liquidation effects from derivative instruments under cash flow hedging relationships, which are recorded temporarily in stockholders' equity (note 2L); and
- The deferred income tax arising from items whose effects are directly recognized in stockholders' equity.

### Items of "Other equity reserves" not included in comprehensive income:

- Effects related to majority stockholders' equity for changes or transactions affecting minority interest stockholders in CEMEX's consolidated subsidiaries;
- Effects attributable to majority stockholders' equity for financial instruments issued by consolidated subsidiaries that qualify for accounting purposes as equity instruments, such as the interest expense paid by perpetual debentures;
- This caption includes the adjustments related to the cancellation of the Company's own shares held in the Parent Company's treasury, as well as those held by consolidated subsidiaries; and
- Until December 31, 2007, included the cumulative initial effect of deferred income taxes arising from the adoption of the assets and liabilities method.

### Retained earnings (note 15C)

Represents the cumulative net results of prior accounting periods, net of dividends declared to stockholders, and includes charges for the adoption of new MFRS during the period that decreased retained earnings as follows: a) the reclassification of the accumulated results from holding non-monetary assets (note 2A) for $97,722; b) the reclassification of the cumulative initial deferred income tax effect (note 2O) for $6,918; c) the cumulative initial deferred income tax recognition in investments in associates for $920; and d) the cumulative initial deferred income tax recognition based on the assets and liabilities method (note 2N) for $2,283.

### Minority interest and perpetual debentures (note 15D)

Represents the share of minority stockholders in the results and equity of consolidated subsidiaries. Likewise, this caption includes the notional amount of financial instruments (perpetual notes) issued by consolidated entities that qualify as equity instruments because there is: a) no contractual obligation to deliver cash or another financial asset; b) no predefined maturity date; and c) an unilateral option to defer interest payments or preferred dividends for indeterminate periods.

## Q) Revenue recognition

CEMEX's consolidated net sales represent the value, before tax on sales, of products and services sold by consolidated subsidiaries as a result of ordinary activities, after the elimination of transactions between related parties. Revenues are quantified at the fair value of the consideration received or receivable, decreased by any trade discounts or volume rebates granted to customers.

Revenue from the sale of goods and services is recognized upon shipment of products or through goods delivered or services rendered to customers, when there is no condition or uncertainty implying a reversal thereof, and they have assumed the risk of loss. Income generated from trading activities, in which CEMEX acquires finished goods from a third-party and subsequently sells the good to another third-party, are recognized on a gross basis, considering that CEMEX assumes the total risk of property on the goods purchased, not acting as agent or commissioner. Aligned to the abovementioned, costs and expenses incurred in trading activities are recognized within either cost of sales, administrative, selling and distribution expenses, as it corresponds.

## R) Cost of sales, administrative expenses and selling and distribution expenses

In 2008, cost of sales represents the production cost. Until 2007, cost of sales represented the lower of the replacement or production cost of inventories at the time of sale. Such cost of sales includes depreciation, amortization and depletion of assets involved in production, expenses related to storage in productive plants and freight of raw material between plants. Cost of sales excludes expenses related to personnel, equipment and services involved in sale activities, storage of product in points of sales as well as freight of finished product between plants and points of sale, which are recognized within administrative and selling expenses. Likewise, cost of sales excludes freight expenses between points of sales and customers' facilities, which are recognized within distribution expenses.

The "Administrative and selling expenses" line item in the income statements include CEMEX's selling expenses which are comprised by the direct costs related to CEMEX's selling force, transfer costs from CEMEX's producing plants to its selling points, as well as costs related to warehousing of products at the selling points. For the years ended December 31, 2008, 2007 and 2006, selling expenses amounted to $11,441, $10,667 and $9,055, respectively. Distribution expenses refer to freight of finished products between points of sale and the customers' facilities.

### S) Monetary position result

The monetary position result, which represents the gain or loss from holding monetary assets and liabilities in inflationary environments, is determined by applying the inflation rate of the country of each subsidiary to its net monetary position (difference between monetary assets and liabilities). Until December 31, 2007, this effect was determined for all subsidiaries without considering the inflation level.

### T) Other expenses, net

The caption "Other expenses, net" in the income statements consists primarily of revenues and expenses derived from transactions or events not directly related to CEMEX's main activity, or which are of unusual or non-recurring nature. The most significant items included under this caption in 2008, 2007 and 2006 are the following:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Impairment losses (notes 6, 9 and 10) | $ (21,125) | (195) | (704) |
| Restructuring costs (note 12) | (3,141) | (1,158) | (542) |
| Non-operative donations | (174) | (367) | (364) |
| Current and deferred ESPS (note 2N) | 2,283 | (246) | (180) |
| Anti-dumping duties | 19 | (32) | 1,839 |
| Results from the sale of assets and others, net | 642 | (1,283) | (629) |
| | $ (21,496) | (3,281) | (580) |

### U) Executive stock option programs (note 16)

CEMEX applies the International Financial Reporting Standard No. 2, "Share-based Payment" ("IFRS 2") for its stock option programs. Under IFRS 2, options granted to executives are defined as equity instruments, in which services received from employees are settled through the delivery of shares; or as liability instruments, in which the Company incurs a liability by committing to pay the intrinsic value of the option as of the exercise date. The cost of equity instruments represents their estimated fair value at the date of grant and is recognized in earnings during the period in which the exercise rights of the employees become vested. In respect to liability instruments, these instruments should be valued at their estimated fair value at each reporting date, recognizing the changes in valuation through the income statement. CEMEX determines the estimated fair value of options using the binomial financial option-pricing model.

CEMEX concluded that the options in its "fixed program" (note 16A) represent equity instruments considering that services received are settled through the issuance of new shares upon exercise; meanwhile, options granted under its other programs (note 16B, C and D) represent liability instruments. Activity under these programs and their accounting effect are presented in note 16. The intrinsic value represents the existing appreciation between the market price of the share and the exercise price of such share established in the option.

### V) Emission rights: European emission trading system to reduce greenhouse gas emissions

CEMEX, as a cement producer, is involved in the European Emission Trading Scheme ("EU ETS"), which aims to reduce carbon-dioxide emissions ("$CO_2$"). Under this directive, governments of the European Union ("EU") countries grant, currently at nil cost, $CO_2$ emission allowances ("EUAs"). If $CO_2$ emissions exceeded EUAs received, CEMEX would then be required to purchase the deficit of EUAs in the market, which would represent an additional production cost. The EUAs granted by any member state of the EU can be used to settle emissions in another member state. Consequently, CEMEX manages its portfolio of EUAs held on a consolidated basis for its cement production operations in the EU. In addition, the United Nations environmental agency grants Certified Emission Reductions ("CERs") to qualified $CO_2$ emission reduction projects. These certificates may be used in specified proportions to settle EUAs obligations with the EU ETS. As of December 31, 2008, CEMEX is developing several projects to reduce $CO_2$ emissions that generate CERs.

CEMEX's accounting policy to recognize the effects derived from the EU ETS, in the absence of a FRS or MFRS that defines an accounting recognition for these schemes, is the following: a) EUAs received from different EU countries are recognized at cost; this presently means at zero value; b) any revenues received from the sale of any surplus of EUAs are recognized decreasing cost of sales; c) EUAs and/or CERs acquired to hedge current $CO_2$ emissions for the period are recognized at cost as intangible assets, and are amortized to cost of sales during the remaining compliance period; d) EUAs and/or CERs acquired for trading purposes are recognized at cost as financial assets and are restated at their market value as of the balance sheet date, recognizing changes in valuation within "Results from financial instruments"; e) CEMEX accrues a provision against cost of sales when the estimated annual emissions of $CO_2$ are expected to exceed the number of EUAs, net of any benefit in the form of EUAs and/or CERs obtained through exchange transactions; and f) forward purchase and sale transactions of EUAs and/or CERs to hedge deficits, or to dispose of certain surpluses, are treated as contingencies and are recognized at the amount paid or received upon physical settlement; meanwhile, forward transactions with trading purposes are treated as financial instruments and are recognized as assets or liabilities at their estimated fair value. Changes in valuation are recognized within "Results from financial instruments."

Second phase of the EU ETS began on January 1, 2008, comprising 2008 through 2012. CEMEX expected to receive from the governments an insufficient number of EUAs for the complete phase. Even though there were reductions in some countries of the number of EUAs received from phase I, the combined effect of alternate fuel that help reduce the emission of $CO_2$ and the downturn on production estimates in the European region during the phase, as a result of the global economic crisis, which deepened beginning in September 2008, generated an excess of EUAs received over the estimated $CO_2$ emissions during the second phase. From the consolidated surplus, nearly 10 million EUAs were sold during 2008, receiving an income of approximately $3,666 recognized in the cost of sales of 2008, decreasing the energy cost. In addition, as of December 31, 2008, there are contracts for the sale of 2,550,000 EUAs to be physically settled in March 2009 and 220,000 EUAs to be physically settled in December 2012, with a net aggregate amount of €42 (US$59 or $807). Likewise, as of December 31, 2008, there are contracts for the exchange of EUAs for CERs to be physically settled in December 2012, having a positive effect on CEMEX of 989,500 CERs. As of December 31, 2007, at the end of the first phase of EU ETS, CEMEX maintained a consolidated excess of EUAs over $CO_2$ emissions. During 2007 and 2006, CEMEX purchase or sale transactions were not significant.

### W) Concentration of credit

CEMEX sells its products primarily to distributors in the construction industry, with no specific geographic concentration within the countries in which CEMEX operates. As of December 31, 2008, 2007 and 2006, no single customer individually accounted for a significant amount of the reported amounts of sales or in the balances of trade receivables. In addition, there is no significant concentration of a specific supplier relating to the purchase of raw materials.

### X) Newly issued financial reporting standards with impact in 2009

In 2008, CINIF issued the following MFRS, effective beginning January 1, 2009:

**MFRS B-7, "Business Combinations" ("MFRS B-7").** New MFRS B-7 supersedes Bulletin B-7, "Business Combinations." MFRS B-7 establishes regulations for valuation and initial recognition of net assets as of the acquisition date, reiterating that business combinations shall be recognized through the purchase method and eliminating the purchase limit price when assets acquired and liabilities assumed are identified and valued, recognizing a possible gain at the moment of the purchase. No material impact is anticipated in the results of operation or in the financial position as a result of the application of MFRS B-7.

**MFRS B-8, "Consolidated or Combined Financial Statements" ("MFRS B-8").** New MFRS B-8 supersedes Bulletin B-8, "Consolidated and Combined Financial Statements and Valuation of Permanent Investments." The main changes are: a) it is mandatory to consolidate entities with specific purposes when the Company has control; b) considers rights for potential votes, which are possible to exercise or convert, and that could modify the interference in the decision making process when control is evaluated; and c) transfers to other MFRS relative regulations for valuation of permanent investments. CEMEX does not anticipate any material effect on the results of operation of financial position due to the application of MFRS B-8.

**MFRS C-7, "Investment in Associates and Other Permanent Investments" ("MFRS C-7").** New MFRS C-7 applies to the accounting recognition of investment in associates and other permanent investments in which there is no control, joint control or significant influence. The most significant changes of new MFRS C-7 effective beginning January 1, 2009 are as follows: a) considers the existence of a right for potential votes, which is possible to exercise or convert in favor of the holding and that could modify significant influence; and b) establish a specific procedure and a limit to recognize losses of the associated company. CEMEX does not anticipate a material effect on its results of operations or its financial position for changes in MFRS C-7.

**MFRS C-8, "Intangible Assets" ("MFRS C-8").** New MFRS C-8 establishes general regulations for the initial and further recognition of intangible assets, which are individually acquired through business acquisitions, or internally generated during the normal course of business of an entity. The most significant changes beginning on January 1, 2009 are the following: a) subsequent R&D expenses on research projects and developments in process should be recognized as expenses as accrued if they relate to the research stage or as intangible assets if such expenses satisfy the recognition criteria; and b) eliminates the presumption that the useful life of an intangible asset could not exceed a period of twenty years. CEMEX does not anticipate any material effect in the results of operations or its financial position for application of MFRS C-8.

**MFRS D-8, "Share-based Payments" ("MFRS D-8").** During 2008, CINIF issued new MFRS D-8, which establishes the methodology to account for share-based payments. As of December 31, 2008 CEMEX recognized its executive stock option programs according to IFRS 2 "Share-based payments," which does not differ in any important matter from new MFRS D-8. CEMEX does not anticipate any material effect in the results of operations or its financial position after the application of MFRS D-8.

## 3. Cash and investments

Consolidated cash and investments as of December 31, 2008 and 2007, consists of:

| | | 2008 | 2007 |
|---|---|---|---|
| Cash and bank accounts | $ | 10,428 | 5,980 |
| Fixed-income securities | | 2,574 | 2,516 |
| Investments in marketable securities | | 602 | 174 |
| | $ | 13,604 | 8,670 |

## 4. Trade accounts receivable

Consolidated trade accounts receivable as of December 31, 2008 and 2007, consist of:

| | | 2008 | 2007 |
|---|---|---|---|
| Trade accounts receivable | $ | 20,610 | 22,854 |
| Allowances for doubtful accounts | | (2,334) | (2,135) |
| | $ | 18,276 | 20,719 |

As of December 31, 2008 and 2007, trade receivables exclude accounts for $14,765 (US$1,075) and $12,325 (US$1,129), respectively, that were sold to financial institutions under securitization programs for the sale of trade receivables, established in Mexico, the United States, Spain and France. Under these programs, CEMEX effectively surrenders control associated with the trade receivables sold and there is no guarantee or obligation to reacquire the assets; therefore, the amount of receivables sold is removed from the balance sheet at the moment of sale, except for the amounts owed by the counterparties, which are reclassified to other short-term accounts receivable. Trade receivables qualifying for sale do not include amounts over certain days past due or concentrations over certain limits to any one customer, according to the terms of the programs. The discount granted to the acquirers of the trade receivables is recognized as financial expense and amounted to approximately $656 (US$58) in 2008, $673 (US$62) in 2007 and $475 (US$44) in 2006.

Allowances for doubtful accounts are established according to the credit history and risk profile of each customer. Changes in the valuation allowance for doubtful accounts in 2008, 2007 and 2006, are as follows:

| | | 2008 | 2007 | 2006 |
|---|---|---|---|---|
| Allowances for doubtful accounts at beginning of period | $ | 2,135 | 1,526 | 1,469 |
| Charged to selling expenses | | 553 | 397 | 275 |
| Deductions | | (570) | (79) | (191) |
| Business combinations | | 63 | 175 | – |
| Foreign currency translation and inflation effects | | 153 | 116 | (27) |
| Allowances for doubtful accounts at end of period | $ | 2,334 | 2,135 | 1,526 |

## 5. Other accounts receivable

Consolidated other accounts receivable as of December 31, 2008 and 2007, consist of:

| | | 2008 | 2007 |
|---|---|---|---|
| Non-trade accounts receivable | $ | 4,682 | 3,582 |
| Current portion of valuation of derivative instruments | | 2,650 | 2,094 |
| Interest and notes receivable | | 1,265 | 1,001 |
| Loans to employees and others | | 813 | 1,850 |
| Refundable taxes | | 535 | 1,303 |
| | $ | 9,945 | 9,830 |

Non-trade accounts receivable are mainly attributable to the sale of assets. Interest and notes receivable include $1,156 (US$84) in 2008 and $957 (US$88) in 2007, arising from uncollected trade receivables sold under securitization programs (note 4).

## 6. Inventories

Consolidated balances of inventories as of December 31, 2008 and 2007, are summarized as follows:

| | | 2008 | 2007 |
|---|---|---|---|
| Finished goods | $ | 7,666 | 7,293 |
| Work-in-process | | 3,718 | 3,565 |
| Raw materials | | 3,991 | 3,297 |
| Materials and spare parts | | 6,418 | 4,892 |
| Advances to suppliers | | 676 | 567 |
| Inventory in transit | | 429 | 573 |
| Allowance for obsolescence | | (540) | (556) |
| | $ | 22,358 | 19,631 |

Impairment losses of inventory of approximately $81, $131 and $93 in 2008, 2007 and 2006, respectively, were recognized within other expenses, net.

## 7. Other current assets

Other current assets in the consolidated balance sheets as of December 31, 2008 and 2007 consist of:

| | | 2008 | 2007 |
|---|---|---|---|
| Advance payments | $ | 1,478 | 1,954 |
| Assets held for sale | | 2,534 | 440 |
| | $ | 4,012 | 2,394 |

Assets held for sale are stated at their estimated realizable value. As of December 31, 2008, the balance of assets available for sale includes $1,080 as a result of reclassifying current assets from Austria and Hungary (note 10A).

## 8. Investments in associates and other investments and non-current accounts receivable

### 8A) Investments in associates

Consolidated investments in shares of associates as of December 31, 2008 and 2007, are summarized as follows:

| | | 2008 | 2007 |
|---|---|---|---|
| Book value at acquisition date | $ | 8,033 | 4,624 |
| Interest in changes of stockholders' equity | | 6,167 | 5,596 |
| | $ | 14,200 | 10,220 |

As of December 31, 2008 and 2007, CEMEX's main investments in associates are as follows:

| | Activity | Country | % | | 2008 | 2007 |
|---|---|---|---|---|---|---|
| Control Administrativo Mexicano, S.A. de C.V. | Cement | Mexico | 49.0 | $ | 4,439 | 3,684 |
| Ready Mix USA, LLC | Concrete | United States | 49.9 | | 2,586 | 277 |
| Cement Australia Holdings Pty Limited | Cement | Australia | 25.0 | | 2,199 | 1,447 |
| Trinidad Cement Ltd | Cement | Trinidad | 20.0 | | 660 | 454 |
| Cancem, S.A. de C.V. | Cement | Mexico | 10.3 | | 480 | 387 |
| Société Méridionale de Carrières | Aggregates | France | 33.3 | | 320 | 248 |
| Société d'Exploitation de Carrières | Aggregates | France | 50.0 | | 254 | 215 |
| Société des Ciments Antillais | Cement | French Antilles | 26.1 | | 231 | 231 |
| Huttig Building Products Inc. | Materials | United States | 28.1 | | 228 | 333 |
| Lehigh White Cement Company | Cement | United States | 24.5 | | 224 | 183 |
| Other companies | – | – | – | | 2,579 | 2,761 |
| | | | | $ | 14,200 | 10,220 |

In 2005, CEMEX Inc., the Company's subsidiary in the United States, and Ready Mix USA, Inc., a ready-mix concrete producer in the Southeastern United States, established two limited liability companies, CEMEX Southeast, LLC and Ready Mix USA, LLC. Pursuant to the relevant agreements, CEMEX contributed to CEMEX Southeast, LLC the cement plants in Demopolis, AL and Clinchfield, GA and 11 cement terminals, representing approximately 98% of the contributed capital, while Ready Mix USA's contributions represented approximately 2% of the contributed capital. To Ready Mix USA, LLC, CEMEX contributed ready-mix concrete, aggregates and concrete block plants in Florida and Georgia, representing approximately 9% of the contributed capital, while Ready Mix USA contributed all of its ready-mix concrete and aggregates operations in Alabama, Georgia, the Panhandle region in Florida and Tennessee, as well as its concrete block plants in Arkansas, Tennessee, Mississippi, Florida and Alabama, representing approximately 91% of the contributed capital. CEMEX owns a 50.01% interest, and Ready Mix USA owns a 49.99% interest, in the profits and losses and voting rights of CEMEX Southeast, LLC; whereas Ready Mix USA owns a 50.01% interest and CEMEX owns a 49.99% interest, in the profits and losses and voting rights of Ready Mix USA, LLC. As of December 31, 2008 and 2007, CEMEX has control and fully consolidates CEMEX Southeast, LLC, while the CEMEX interest in Ready Mix USA, LLC is accounted for by the equity method.

On January 11, 2008, in connection with the assets acquired from Rinker (note 10A), and as part of the agreements with Ready Mix USA, CEMEX contributed and sold to Ready Mix USA, LLC certain assets located in the sites of Georgia, Tennessee and Virginia, at a fair value of approximately US$437, receiving an established value of US$380, which included the value of the contribution of US$260 and the value of the sale of US$120 received in cash. As part of the same transaction, Ready Mix USA contributed US$125 in cash to its Ready Mix USA, LLC, which in turn, received bank loans of US$135 and made a special distribution in cash for US$135. Ready Mix USA manages all the assets acquired. Following this transaction, Ready Mix USA, LLC continues to be owned 50.01% by Ready Mix USA and 49.99% by CEMEX. The difference between the fair value and the established value of approximately US$57 is included within investment in associates.

In March 2008 CEMEX announced the sale, through a subsidiary, of 119 million of CPOs of AXTEL, S.A.B. de C.V. ("AXTEL"), which represented 9.5% of the equity capital of AXTEL for approximately $2,738, recognizing a net gain of approximately $1,463 in 2008 within other expenses, net. The sale represented approximately 90% of CEMEX's position in AXTEL, which has been part of the Company's investments in associates.

During 2006, CEMEX sold its 25.5% interest in the Indonesian cement producer PT Semen Gresik for approximately US$346 ($4,053), including dividends declared of approximately US$7 ($82), generating a gain of approximately $1,045, net of selling expenses and the write-off of related goodwill of approximately $117 and other selling expenses that were recorded in 2006 within other expenses, net.

### 8B) Other investments and non-current accounts receivable

As of December 31, 2008 and 2007, other investments and non-current accounts receivable are summarized as follows:

| | | 2008 | 2007 |
|---|---|---|---|
| Non-current portion of valuation of derivative instruments | $ | 8,002 | 5,035 |
| Non-current accounts receivable and other assets | | 16,138 | 5,933 |
| Investments in private funds | | 493 | 371 |
| | $ | 24,633 | 11,339 |

In 2008, the caption "Non-current accounts receivable and other assets" include approximately $6,877 corresponding to CEMEX's net investment in confiscated assets in Venezuela (note 10A), as well as the remaining portion of CPOs of AXTEL for approximately $98 and the reclassification of non-current assets of Austria and Hungary (note 10A) for approximately $4,005.

In 2008, 2007 and 2006, proceeds were contributed to private funds for approximately US$1 ($14), US$4 ($44) and US$14 ($164), respectively.

## 9. Property, machinery and equipment

Consolidated property, machinery and equipment as of December 31, 2008 and 2007, consist of:

| | 2008 | 2007 |
|---|---|---|
| Land and mineral reserves | $ 89,534 | 84,920 |
| Buildings | 67,029 | 64,975 |
| Machinery and equipment | 265,745 | 245,270 |
| Construction in progress | 17,999 | 21,260 |
| Accumulated depreciation and depletion | (158,449) | (154,236) |
| | $ 281,858 | 262,189 |

Changes in property, machinery and equipment in 2008, 2007 and 2006, are as follows:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Cost of property, machinery and equipment at beginning of period | $ 416,425 | 340,265 | 325,382 |
| Accumulated depreciation and depletion at beginning of period | (154,236) | (138,840) | (130,217) |
| **Net book value at beginning of period** | 262,189 | 201,425 | 195,165 |
| Capital expenditures | 23,291 | 22,221 | 18,038 |
| Capitalization of comprehensive financing result | 609 | 68 | 6 |
| Total additions **1** | 23,900 | 22,289 | 18,044 |
| Disposals **2** | (5,341) | (510) | (1,977) |
| Reclassifications **3** | (11,656) | – | – |
| Contribution and sale to associates **4** | (4,588) | – | – |
| Additions through business combinations | (520) | 53,870 | 342 |
| Depreciation and depletion for the period | (16,448) | (14,876) | (12,357) |
| Impairment losses | (1,045) | (64) | (611) |
| Foreign currency translation and inflation effects **5** | 35,367 | 55 | 2,819 |
| Cost of property, machinery and equipment at end of period | 440,307 | 416,425 | 340,265 |
| Accumulated depreciation and depletion at end of period | (158,449) | (154,236) | (138,840) |
| **Net book value at end of period** | $ 281,858 | 262,189 | 201,425 |

1 The item of "Property, machinery and equipment, net" in the statement of cash flows in 2008 and in the statements of changes in financial position in 2007 and 2006, includes capital expenditures and capitalization of comprehensive financing results.

2 In 2008, this caption includes approximately $4,200 of the carrying amount of fixed assets sold in Italy and Spain (note 10A), which are presented within "Sales of subsidiaries and associates, net" in the consolidated statement of cash flows.

3 This caption includes the reclassification to "Other non-current assets" for the expropriation of Venezuela for approximately $8,053, and the reclassification of fixed assets in Austria and Hungary as assets available for sale to the caption of "Other non-current trade receivable" for $3,603.

4 Refers to the contribution and sale of assets to Ready Mix USA, LLC detailed in note 8A.

5 The effects presented in this caption refer to fluctuations in exchange rates for the period between the functional currency of the reporting unit and the peso, and, until December 31, 2007 the restatement adjustment to constant pesos.

During 2008, impairment losses were recognized in the United States for $511, Poland for $322 and others for $212. These losses relate to permanent closing of operating assets in different countries, mainly in the concrete sector resulting from adjusting the supply of CEMEX's products to current demand conditions or from transferring installed capacity to more efficient plants. During 2007 and 2006, impairment losses of fixed assets were mainly attributable to idle assets in the United Kingdom, Mexico and Philippines. The related assets were adjusted to their estimated realizable value.

## 10. Goodwill, intangible assets and deferred charges

Consolidated goodwill, intangible assets and deferred charges as of December 31, 2008 and 2007, are summarized as follows:

| | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated amortization | Carrying amount | Cost | Accumulated amortization | Carrying amount |
| **Intangible assets of indefinite useful life:** | | | | | | |
| Goodwill | $ 164,608 | – | 164,608 | 151,409 | – | 151,409 |
| **Intangible assets of definite useful life:** | | | | | | |
| Extraction rights | 31,165 | (1,673) | 29,492 | 24,534 | (709) | 23,825 |
| Cost of internally developed software | 7,997 | (3,807) | 4,190 | 7,769 | (2,473) | 5,296 |
| Industrial property and trademarks | 4,567 | (1,850) | 2,717 | 5,529 | (900) | 4,629 |
| Customer relationships | 6,666 | (916) | 5,750 | 4,914 | (255) | 4,659 |
| Mining projects | 1,446 | (150) | 1,296 | 1,929 | (204) | 1,725 |
| Other intangible assets | 8,010 | (3,472) | 4,538 | 6,240 | (3,038) | 3,202 |
| **Deferred charges and others:** | | | | | | |
| Deferred income taxes (note 14B) | 21,300 | – | 21,300 | 776 | – | 776 |
| Intangible assets for pensions (note 13) | – | – | – | 905 | – | 905 |
| Deferred financing costs | 1,291 | (446) | 845 | 1,222 | (326) | 896 |
| | $ 247,050 | (12,314) | 234,736 | 205,227 | (7,905) | 197,322 |

The amortization of intangible assets of definite useful life was approximately $4,416 in 2008, $2,790 in 2007 and $1,604 in 2006, recognized within operation costs and expenses, except for approximately $255 in 2007, as a result of intangible assets related to customers, which were recognized within "Other expenses, net."

At December 31, 2007, based on a preliminary allocation of the purchase price of Rinker (note 10A), CEMEX had identified intangible assets related to extraction permits in the cement and aggregates sector in the United States and Australia for an amount of $10,156 as intangible assets of indefinite life, considering that the Company had capacity and the intention to renew them indefinitely. In April 2008, as part of the allocation of the purchase price of Rinker ended on June 30, 2008 and considering new information and evidence which was unavailable at the end of 2007, CEMEX changed the definition of such intangible assets and assigned a useful life to an average of 30 years. CEMEX started to amortize these assets prospectively.

### Goodwill

Goodwill is recognized at the acquisition date based on the preliminary allocation of the purchase price. If applicable, goodwill is subsequently adjusted for any correction to the preliminary assessment given to the assets acquired and/or liabilities assumed, within the twelve-month period after purchase. The increase in goodwill in 2007 results from the acquisition of Rinker. As mentioned in note 2J, goodwill is not amortized and is subject to impairment tests. As mentioned in note 10C, based on impairment tests made during the last quarter of 2008, goodwill impairment losses for the United States, Ireland and Thailand reporting units for approximately $17,476 (US$1,272) were determined. In addition, considering that the investment in CEMEX Venezuela will be recovered through other means different than use (note 10A), CEMEX recognized an impairment loss of approximately $838 (US$61) associated with the goodwill of this investment.

Changes in goodwill as of December 31 in 2008, 2007 and 2006, are summarized as follows:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Balance at beginning of period | $ 151,409 | 56,546 | 56,447 |
| Increase (decrease) for business acquisitions | (742) | 97,505 | 2,795 |
| Disposals | (187) | – | (117) |
| Impairment losses (note 10C) | (18,314) | – | – |
| Inflation effects and foreign exchange translation adjustments 1 | 32,442 | (2,642) | (2,579) |
| Balance at end of period | $ 164,608 | 151,409 | 56,546 |

1 The amounts presented in this column refer to the effects on goodwill from foreign exchange fluctuations during the period between the reporting units' currencies and the Mexican peso, and the effect of the restatement into constant pesos until December 31, 2007.

Goodwill balances by reporting unit as of December 31, 2008 and 2007 are summarized as follows:

| | 2008 | 2007 |
|---|---|---|
| **North America** | | |
| United States | $ 123,428 | 109,737 |
| Mexico | 6,412 | 6,412 |
| Europe | | |
| Spain | 9,069 | 8,177 |
| France | 3,638 | 3,139 |
| United Kingdom | 4,350 | 3,945 |
| Other Europe 1 | 697 | 1,041 |
| **Central and South America and the Caribbean** | | |
| Colombia | 5,063 | 4,302 |
| Venezuela | – | 627 |
| Dominican Republic | 231 | 191 |
| Other Central and South America and the Caribbean 2 | 985 | 839 |
| **Africa and Middle East** | | |
| Egypt | 231 | 229 |
| United Arab Emirates | 1,557 | 1,450 |
| **Asia and Australia** | | |
| Australia | 7,067 | 9,065 |
| Philippines | 1,505 | 1,145 |
| Thailand | – | 358 |
| Other Asia | – | 12 |
| **Others** | | |
| Other reporting units 3 | 375 | 740 |
| | $ 164,608 | 151,409 |

1 "Other Europe" refers to the reporting units in the Czech Republic, Ireland and Latvia.

2 "Other Central and South America and the Caribbean" refers mainly to the reporting units in Costa Rica, Panama and Puerto Rico.

3 This segment primarily consists of CEMEX's subsidiary in the information technology and software development business.

### Intangible assets of definite life

Changes in balances of intangible assets of definite life in 2008, 2007 and 2006, are as follows:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Balance at beginning of period | $ 43,336 | 8,610 | 6,979 |
| Increase for business acquisitions **1** | 539 | 33,582 | – |
| Additions (disposals), net **2** | 1,445 | 3,430 | 2,883 |
| Amortization | (4,416) | (2,570) | (1,586) |
| Impairment losses **3** | (1,598) | – | – |
| Inflation effects and foreign exchange translation adjustments | 8,677 | 284 | 334 |
| Balance at end of period | $ 47,983 | 43,336 | 8,610 |

**1** In connection with the Rinker acquisition in 2007, intangible assets in the United States and Australia were identified and valued. These assets relate to extraction permits in the cement, aggregates and ready-mix concrete sectors for approximately $23,427, which were amortized during their estimated useful life of 30 years; trademarks and commercial names for approximately $4,939, amortized during a five-year useful life; and intangibles based on customer relations for approximately $5,755, which were assigned a useful life of 10 years.

**2** During 2008, 2007 and 2006, CEMEX capitalized the costs incurred in the development stage of internal-use software for $1,236, $3,034 and $2,383, respectively, related to the replacement of the technological platform in which CEMEX executes the most important processes of its business model. The items capitalized refer to direct costs incurred in the development phase of the software and relate mainly to professional fees, direct labor and related travel expenses.

**3** Considering impairment triggering events, during the last quarter of 2008, CEMEX tested intangible asses of definite life for impairment in the United States, determining that the net book value of names and commercial trademarks exceeded their value in use, resulting in an impairment loss of approximately $1,598.

### A) Main acquisitions and divestitures in 2008, 2007 and 2006

### Nationalization of CEMEX Venezuela

On June 18, 2008, the Government of Venezuela promulgated a presidential decree (the "Nationalization Decree") which commanded that the cement production industry in Venezuela be reserved to the State and ordered the conversion of foreign-owned cement companies, including CEMEX Venezuela, S.A.C.A. ("CEMEX Venezuela"), into state controlled companies with Venezuela holding an equity interest of at least 60%. The Nationalization Decree established August 17, 2008 as the deadline for the controlling shareholders of foreign-owned companies to reach an agreement with the Government of Venezuela on the compensation for the nationalization. The Nationalization Decree stipulates that if an agreement is not reached, Venezuela shall assume exclusive operational control of the relevant cement company and the Venezuelan National Executive shall decree the expropriation of the relevant shares according to the Venezuelan expropriation law. CEMEX controlled and operated CEMEX Venezuela until August 17, 2008. Afterwards, the Government of Venezuela ordered the confiscation of all business, assets and shares of CEMEX Venezuela and took control of its facilities on August 18, 2008.

CEMEX's consolidated income statements for the years ended December 31, 2008, 2007 and 2006 include the results of CEMEX Venezuela for the seven-month period ended July 31, 2008 and for the years ended December 31, 2007 and 2006, respectively. For balance sheet purposes, as of December 31, 2008, the investment of CEMEX in Venezuela was presented within "Other investments and non- current accounts receivable" (note 8B). As of December 31, 2008 and 2007, the net book value of CEMEX's investment in Venezuela was approximately $6,877 and $6,732, respectively, corresponding to CEMEX's equity interest of approximately 75.7%.

On August 20, 2008, CEMEX received from the Government of Venezuela a compensation proposal for US$650. CEMEX decided not to accept such proposal, believing that it significantly undervalued its business in Venezuela. This proposal was significantly lower than those offered to other foreign companies for their assets in Venezuela, considering price per ton of installed capacity as well as operating cash flow multiples. In October 2008, CEMEX's subsidiaries in Holland, which held CEMEX's shares in CEMEX Venezuela, submitted a complaint seeking international arbitration to the International Centre for Settlement of Investment Disputes following the Venezuelan Government's confiscation of assets, deprivation of rights of CEMEX Venezuela as well as the initiation of the expropriation of CEMEX's Venezuelan business. At December 31, 2008, except for the goodwill impairment loss (note 10C), CEMEX has not made any impairment adjustments to its investment in Venezuela, remaining confident that it will eventually reach an agreement and obtain fair compensation. Nevertheless, CEMEX carefully evaluates the evolution of the arbitration process and other negotiations to determine if the carrying amount requires an impairment adjustment.

Based on MFRS C-15, significant disposals should be treated as discontinued operations in the income statement for all the periods presented. CEMEX measured the materiality of CEMEX Venezuela during each period presented, considering a threshold of 5% of consolidated net sales, operating income, net income and total assets. Considering the results of the quantitative tests, CEMEX concluded that the nationalized Venezuelan operations did not reach the materiality thresholds to be classified as discontinued operations. The results of CEMEX's quantitative tests for the seven-month period ended July 31, 2008 (unaudited) and for the years ended December 31, 2007 and 2006 are as follows:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| **Net sales** | **3.0%** | **2.9%** | **2.6%** |
| CEMEX consolidated | $ 145,164 | 236,669 | 213,767 |
| CEMEX Venezuela | 4,286 | 6,823 | 5,496 |
| **Operating income** | **4.6%** | **4.2%** | **3.6%** |
| CEMEX consolidated | $ 16,992 | 32,448 | 34,505 |
| CEMEX Venezuela **1** | 775 | 1,358 | 1,245 |
| **Net income** | **0.1%** | **3.2%** | **3.6%** |
| CEMEX consolidated | $ 11,314 | 26,945 | 29,147 |
| CEMEX Venezuela | 11 | 852 | 1,039 |
| **Total assets** | **2.1%** | **2.1%** | |
| CEMEX consolidated | $ 525,756 | 542,314 | |
| CEMEX Venezuela | 11,010 | 11,515 | |

In addition, as of December 31, 2007, CEMEX Venezuela was the holding entity of several of CEMEX's investments in the region, including CEMEX's operations in the Dominican Republic and Panama, as well as CEMEX's minority investment in a Trinidad company. Before the nationalization of assets in Venezuela, in April 2008, CEMEX concluded the transfer of all material non-Venezuelan investments to CEMEX España, S.A. for approximately US$355 plus US$112 of net debt, having distributed all accrued profits from the non-Venezuelan investments to the stockholders of CEMEX Venezuela amounting to approximately US$132.

Condensed balance sheets of CEMEX's operations in Venezuela as of July 31, 2008 (unaudited) and December 31, 2007 are as follows:

| | 2008 | 2007 |
|---|---|---|
| Current assets | $ 2,532 | 1,492 |
| Non-current assets **2** | 8,478 | 10,023 |
| Total assets | 11,010 | 11,515 |
| Current liabilities | 2,753 | 1,457 |
| Non-current liabilities | 1,384 | 1,085 |
| Total liabilities | 4,137 | 2,542 |
| Total net assets | 6,873 | 8,973 |
| Minority interest | (1,507) | (2,241) |
| CEMEX's interest in total net assets **3** | $ 5,366 | 6,732 |

The following table presents condensed selected income statement information for CEMEX's operations in Venezuela for the seven-month period ended July 31, 2008 (unaudited) and for the years ended December 31, 2007 and 2006:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Sales | $ 4,286 | 6,823 | 5,496 |
| Operating income **1** | 775 | 1,358 | 1,245 |
| Net income | $ 11 | 852 | 1,039 |

**1** Operating income in these tables excludes the margin realized in related-party transactions; therefore, it is not directly comparable to selected financial information from the "Venezuela" segment presented in note 17.

**2** Includes goodwill in both periods of approximately US$61 which was adjusted for impairment at the end of 2008 (note 10C).

**3** The change in the net investment between July 31, 2008 and December 31, 2008 is attributable to fluctuations in foreign exchange rates.

### Sale of operations in Canary Islands

On December 26, 2008, CEMEX sold assets in the cement and concrete sectors in the Canary Islands through its subsidiary in Spain, including its 50% interest of Cementos Especiales de Las Islas, S.A. ("CEISA") to Cimpor Inversiones S.A. ("Cimpor"), a subsidiary of Cimpor Cimentos de Portugal SGPS SA, for €162 (US$227 or $3,113), €5 of which is being held in escrow in a special deposit account to cover any price adjustments as guarantee of possible contingencies, in addition to a separate payment for working capital pending to be executed. Up to the moment of the sale, CEMEX controlled CEISA together with another shareholder (Grupo Tudela Beguin) and the financial statements were consolidated through the proportional integration method (note 2C), considering its 50% interest. CEMEX's consolidated income statement includes results of operation of assets sold, calculated through the proportional integration method for assets related to CEISA, for the twelve-month period ended on December 31, 2008. Sale of CEISA and other assets generated a net gain of approximately $920, which includes the cancellation of related goodwill for approximately $18 and was recognized in 2008 within other expenses, net.

The condensed combined balance sheets of the assets sold and CEISA as of December 31, 2008 and 2007 are as follows:

| | | 2008 | 2007 |
|---|---|---|---|
| Current assets | $ | 455 | 743 |
| Non-current assets | | 1,992 | 1,721 |
| Total assets | | 2,447 | 2,464 |
| Current liabilities | | 303 | 795 |
| Non-current liabilities | | 33 | 50 |
| Total liabilities | | 336 | 845 |
| Total net assets | $ | 2,111 | 1,619 |

Selected condensed combined information of income statement of the assets sold and CEISA in 2008, 2007 and 2006, are the following:

| | | 2008 | 2007 | 2006 |
|---|---|---|---|---|
| Sales | $ | 2,317 | 2,962 | 2,716 |
| Operating income | | 283 | 529 | 424 |
| Net income | $ | 371 | 494 | 388 |

### Agreement to sell operations in Austria and Hungary

On July 31, 2008, CEMEX reached an agreement to jointly sell its operations in Austria and Hungary to Strabag SE, a European construction and building materials groups, for an approximate amount of €310 (US$433 or $5,949). The sale was subject to approval by the antitrust authorities in both countries, as well as Strabag Supervisory Board. As of December 31, 2008, competent authorities of Austria and Hungary had not given their authorization. CEMEX evaluated the materiality of its operations in Austria and Hungary, concluding that these operations were not significant to be classified as discontinued operations since the materiality limits are not exceeded.

Condensed combined balances of Austria and Hungary as of December 31, 2008 and 2007 are the following:

| | | 2008 | 2007 |
|---|---|---|---|
| Current assets | $ | 1,080 | 896 |
| Non-current assets | | 4,005 | 3,710 |
| Total assets | | 5,085 | 4,606 |
| Current liabilities | | 772 | 615 |
| Non-current liabilities | | 1,172 | 1,086 |
| Total liabilities | | 1,944 | 1,701 |
| Total net assets | $ | 3,141 | 2,905 |

The main captions of the combined income statements of Austria and Hungary for the years ended December 31, 2008, 2007 and 2006 are the following:

| | | 2008 | 2007 | 2006 |
|---|---|---|---|---|
| Sales | $ | 4,321 | 3,883 | 4,431 |
| Operating income | | 9 | (14) | 21 |
| Net loss | $ | (19) | (65) | (179) |

### Sale of operations in Italy

In several transactions that took place during December 2008, CEMEX sold its cement mill operations in Italy for an amount of approximately €148 (US$210 or $2,447), generating a net income of approximately €8 (US$12 or $119), which was recognized within "Other expenses, net."

### Rinker acquisition

CEMEX acquired 100% of the shares of Rinker, an Australian producer of aggregates, cement, concrete and other construction materials, through a public tender offering, which started in October 2006 and finished in July 2007. On June 7, 2007, CEMEX's offer to acquire all outstanding shares of Rinker became unconditional after obtaining tenders of more than 50% of the outstanding shares. On July 10, 2007, the date on which CEMEX obtained acceptances of more than 90% of the shares, CEMEX announced the compulsory purchase of the other shares which were not acquired under the offer. The purchase price paid for the Rinker shares, including direct acquisition costs, was approximately US$14,245 ($155,559), not including approximately US$1,277 ($13,943) of assumed debt. For its fiscal year ended March 31, 2007, Rinker reported consolidated revenues of approximately US$5,300 (unaudited). Approximately US$4,100 (unaudited) of these revenues were generated in the United States, and approximately US$1,200 (unaudited) were generated in Australia and China. In Australia, Rinker's main activities are oriented to the production and sale of ready-mix concrete and other construction materials. For accounting purposes, the acquisition of Rinker was effective as of July 1, 2007. CEMEX's consolidated financial statements as of December 31, 2007 include Rinker's balance sheet as of December 31, 2007 and its results of operations for the six-month period ended December 31, 2007.

The Rinker acquisition was in line with CEMEX's strategy to invest in the construction industry value chain and increased CEMEX's aggregates and ready-mix concrete business investment in the United States. Rinker operations are a complement for CEMEX, increasing its presence in the states of Florida, California, Arizona and Nevada. Likewise, CEMEX entered Australia, where Rinker was the second largest building materials company. In addition, at the time of the acquisition, Rinker owned and operated aggregate quarries, some of which are strategically located near population centers. Authorized aggregate quarries are scarce in many areas of the United States and Australia, considering the nature of resources, costs and necessary approvals to establish and operate such quarries. Through the Rinker acqusition, CEMEX increased its aggregates reserves by approximately 3,600 million metric tons, equivalent to approximately 30 and 43 years of production in the United States and Australia, respectively.

The preliminary goodwill associated with the Rinker acquisition assigned as of December 31, 2007 was approximately $97,448 (US$8,924). From January 1 to June 30, 2008, CEMEX completed the allocation of the purchase price of Rinker to the fair values of the assets acquired and liabilities assumed, and made modifications to the amounts determined during the preliminary allocation, resulting in adjustments to the preliminary goodwill associated with this acquisition. The final amount of goodwill was $96,812 (US$8,866). CEMEX considers that the Rinker goodwill was mainly generated by: a) the existence of intangible assets that could not be easily separated and quantified, so they were transferred to goodwill, such as those related to human capital, industry potential and synergies, as well as those related to Rinker's business model; and b) a significant portion of the value in perpetuity of the acquired business is transferred to goodwill as a result of the use, for the valuation of the specific assets acquired, of models based on expected cash flows that are determined over an estimated useful life.

Final allocation of the purchase price of Rinker as of the acquisition date of July 1, 2007, considering an exchange rate of $10.92 pesos per dollar as of December 31, 2007, was as follows:

| | | Rinker 2007 |
|---|---|---|
| Current assets **1** | $ | 19,069 |
| Investments and other non-current assets | | 3,377 |
| Property, machinery and equipment | | 53,350 |
| Intangible assets and other assets **2** | | 34,917 |
| Goodwill | | 96,812 |
| Total assets acquired | | 207,525 |
| Current liabilities **3** | | 10,405 |
| Non-current liabilities **3** | | 16,745 |
| Deferred income tax liability | | 24,816 |
| Total liabilities assumed | | 51,966 |
| Total net assets | $ | 155,559 |

**1** Includes $4,174 of cash and cash equivalents and $2,099 of assets held for sale related to the divestiture order of the U.S. Department of Justice.

**2** This caption includes: 1) $468 of deferred tax assets; 2) extraction rights of $23,427 with an estimated useful life of 30 years; 3) commercial names and trademarks of $4,939 with an estimated useful life of 5 years; and 3) intangible assets related to customer relationships of approximately $5,755 with an estimated useful life of 10 years.

**3** Current liabilities include $102 of debt; non-current liabilities include $13,841 of debt, $1,375 of remediation liabilities, and $148 of other post-retirement benefits.

As required by the Department of Justice of the United States, pursuant to a divestiture order in connection with the Rinker acquisition, in December 2007, CEMEX sold to the Irish producer CRH plc, ready-mix concrete and aggregates plants in Arizona and Florida for approximately US$250, of which approximately US$30 corresponded to the sale of assets from CEMEX's pre-Rinker acquisition operations, which generated a gain in 2007 of approximately $142, recognized within "Other expenses, net."

### B) Condensed pro forma financial statements (unaudited)

CEMEX presents condensed pro forma income statements for the years ended December 31, 2007 and 2006, giving effect to the Rinker acquisition as if it had occurred on January 1, 2006. The pro forma financial information is presented solely for the convenience of the reader and is not indicative of the results that CEMEX would have reported, nor should such information be taken as representative of CEMEX's future results. Pro forma adjustments consider the fair values of the net assets acquired, under assumptions that CEMEX considered reasonable.

| Year ended December 31, 2007 | | CEMEX **1** | Rinker **2** | Adjustments **3** | CEMEX pro forma |
|---|---|---|---|---|---|
| Sales | $ | 236,669 | 28,249 | – | 264,918 |
| Operating costs and expenses | | (204,221) | (24,522) | – | (228,743) |
| Operating income | | 32,448 | 3,727 | – | 36,175 |
| Other expenses, net | | (3,281) | 111 | – | (3,170) |
| Comprehensive financing result | | 1,087 | (194) | (3,463) | (2,570) |
| Equity in income of associates | | 1,487 | 122 | – | 1,609 |
| Income before income taxes | | 31,741 | 3,766 | (3,463) | 32,044 |
| Income taxes | | (4,796) | (1,278) | 970 | (5,104) |
| Consolidated net income | | 26,945 | 2,488 | (2,493) | 26,940 |
| Minority interest net income | | 837 | 15 | – | 852 |
| Majority interest net income | $ | 26,108 | 2,473 | (2,493) | 26,088 |
| Majority income basic EPS | $ | 1.17 | – | – | 1.17 |
| Majority income diluted EPS | $ | 1.17 | – | – | 1.17 |

### Condensed pro forma income statement information - continued

| Year ended December 31, 2006 | | CEMEX 1 | Rinker 2 | Adjustments 3 | CEMEX pro forma |
|---|---|---|---|---|---|
| Sales | $ | 213,767 | 64,735 | – | 278,502 |
| Operating costs and expenses | | (179,262) | (53,537) | – | (232,799) |
| Operating income | | 34,505 | 11,198 | – | 45,703 |
| Other expenses, net | | (580) | (313) | – | (893) |
| Comprehensive financing result | | (505) | 431 | (5,698) | (5,772) |
| Equity in income of associates | | 1,425 | 307 | – | 1,732 |
| Income before income taxes | | 34,845 | 11,623 | (5,698) | 40,770 |
| Income taxes | | (5,698) | (3,661) | 1,653 | (7,706) |
| Consolidated net income | | 29,147 | 7,962 | (4,045) | 33,064 |
| Minority interest net income | | 1,292 | 49 | – | 1,341 |
| Majority interest net income | $ | 27,855 | 7,913 | (4,045) | 31,723 |
| Majority income basic EPS | $ | 1.29 | – | – | 1.47 |
| Majority income diluted EPS | $ | 1.29 | – | – | 1.47 |

1 Includes Rinker's operations for the six-month period from July 1 to December 31, 2007.

2 In 2007, refers to the pro forma six-month period from January 1 to June 30, 2007, prepared under IFRS by Rinker, which was translated from U.S. dollars into pesos at the average exchange rate of $10.95, and then restated into constant pesos at December 31, 2007. In 2006, refers to the twelve-month period ended on March 31, 2007, prepared under IFRS by Rinker, which was converted from U.S. dollars into pesos at an average exchange rate of $10.91 and restated into constant pesos as of December 31, 2007. The pro forma information for the periods was adjusted to include the effects of the purchase price allocation and application of MFRS. Pro forma adjustments in 2006 and 2007 are as follows:

| Item | | 2007 | 2006 |
|---|---|---|---|
| Recomputed depreciation expense | $ | (519) | (1,092) |
| Intangible assets amortization | | (1,035) | (2,176) |
| Restatement of inventories | | – | (262) |
| Monetary position result | | 96 | 398 |
| Deferred income taxes • | | 502 | 1,079 |
| | $ | (956) | (2,053) |

• In 2007 and 2006, the income tax effect for pro forma adjustments was determined using the approximate average effective tax rate of 33% and 34%, respectively.

3 In 2007 and 2006, refers to pro forma adjustments for the six-month period in 2007 and the twelve-month period in 2006, related to the financing for the Rinker acquisition:

| Item | | 2007 | 2006 |
|---|---|---|---|
| Financial expense • | $ | (4,522) | (9,165) |
| Foreign exchange fluctuations • | | – | (2,764) |
| Results from financial instruments | | – | 2,015 |
| Monetary position result | | 1,059 | 4,216 |
| Deferred income taxes • | | 970 | 1,653 |
| | $ | (2,493) | (4,045) |

• Foreign exchange fluctuations were determined on the basis of approximately US$14,159 of debt incurred for the purchase of Rinker, using an interest rate of 5.65% and 5.53% for 2007 and 2006, respectively. In 2007 as no foreign exchange adjustments resulted from such debt considering that the exchange rate at June 30, 2007 of $10.80 pesos per dollar was the same as the exchange rate at December 31, 2006. In 2006, foreign exchange fluctuations on indebtedness were determined based on the variation between the foreign exchange rates as of December 31, 2006 of $10.80 per dollar against the foreign exchange rate as of December 31, 2005 of $10.62 per dollar. The statutory tax rates of 28% and 29% applicable in Mexico in 2007 and 2006 were used to determine the income tax effect of pro forma consolidation adjustments.

### C) Analysis of goodwill impairment

For the years ended December 31, 2007 and 2006, CEMEX did not recognize impairment losses of goodwill, considering that all annual impairment tests presented an excess of the value in use over the net book value of the reporting units. During the last quarter of 2008, the global economic environment was negatively affected, intensified by the crisis in financial institutions, which has caused financing scarcity in almost all productive sectors, resulting in a decrease in economic activity and a worldwide downturn of the main market values. This effect has lowered the growth expectations within the countries in which CEMEX operates, motivated by the cancellation or deferral of several investment projects, particularly affecting the construction industry.

CEMEX tested goodwill for impairment during the fourth quarter 2008. These tests coincided with the economic crisis described in the paragraph above, which represented an impairment indicator. Goodwill amounts are allocated to the multiple cash generating units, which together comprise a geographic operating segment commonly comprising all of the operations in each country as explained in the financial information by geographic segments presented in note 17. CEMEX's geographic segments also represent its reporting units for purposes of impairment testing. An impairment loss was recognized for an amount that represents the excess of the carrying amount of the reporting unit over the value in use attributable to such reporting unit.

The fair value of each reporting unit is determined through the value in use method (discounted cash flows). Cash flow projection models for valuation of long-lived assets include long-term economic variables. Nevertheless, CEMEX considers that its cash flow projections and the discount rates used for discounted cash flows reasonably capture current negative conditions, considering that: a) the starting point of the future cash flow models is the operating cash flow for 2008, a year which was negatively affected by the economic situation, instead of stabilized or historical operating cash flows; b) the cost of capital reflects the current volatility of the markets, when it is normally used an average risk for the last years; and c) the cost of debt was based on CEMEX's specific interest rates observed in recent transactions.

CEMEX uses after-tax discount rates, which are applied to after-tax cash flows. Starting in 2008, the discount rates and cash flows from each country include their respective tax rate. Until 2007, the discount rate and the cash flow from each country included an estimated consolidated effective tax rate of approximately 20%. Discount rates and growth rates in perpetuity used in the reporting units that represent most of the consolidated balance of goodwill in 2008 and 2007 are as follows:

| | Discount rates | | Growth rates | |
|---|---|---|---|---|
| Reporting units | 2008 | 2007 | 2008 | 2007 |
| United States | 9.2% | 9.3% | 2.9% | 2.5% |
| Spain | 10.8% | 9.6% | 2.5% | 2.5% |
| Mexico | 12.0% | 10.3% | 2.5% | 2.5% |
| Colombia | 11.8% | 10.8% | 2.5% | 2.5% |
| France | 11.2% | 9.6% | 2.5% | 2.5% |
| United Arab Emirates | 13.0% | 9.8% | 2.5% | 2.5% |
| United Kingdom | 9.8% | 9.4% | 2.5% | 2.5% |
| Australia | 11.1% | – | 2.5% | – |
| Range of discount rates in other countries | 11.3% – 15.0% | 8.9% – 13.1% | 2.5% | 2.5% |

The reporting units acquired from Rinker were not tested for impairment in 2007, considering that the related net assets were recorded at their estimated fair values as of the acquisition date of July 1, 2007 and there were no significant changes in such values as of December 31, 2007.

For the year ended December 31, 2008, CEMEX recognized within "Other expenses, net" goodwill impairment losses for a total amount of $18,314 (US$1,333). In compliance with MFRS C-15, CEMEX tested goodwill for impairment during the last quarter of 2008 using discounted cash flows to determine the value in use of the reporting units and compared them against their carrying amounts. The results of the impairment tests indicated that the carrying amount of the United States, Ireland and Thailand reporting units exceeded their respective value in use for approximately $16,790 (US$1,222), $233 (US$17) and $453 (US$33), respectively. The estimated impairment loss in the United States is mainly attributable to the acquisition of Rinker in 2007, and overall is attributable to the negative economic situation expected in the worldwide markets during 2009 and 2010 in the construction industries. Those factors significantly affected the variables included in the projections of estimated cash flows in comparison with valuations made at the end of 2007. In addition, considering that CEMEX's investment in Venezuela will be recovered through different means other than use, CEMEX recognized an impairment loss for approximately $838 (US$61) associated with the goodwill of this investment.

## 11. Debt and financial instruments

### A) Short-term and long-term debt

Consolidated debt as of December 31, 2008 and 2007, is summarized as follows:

**Debt according to interest rate, currencies and type of instrument in which debt was contracted:**

| | Carrying amount | | Effective rate 1 | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| **Short-term** | | | | |
| Floating rate | $ 92,433 | 33,946 | 2.2% | 5.8% |
| Fixed rate | 2,837 | 2,311 | 9.1% | 5.2% |
| | 95,270 | 36,257 | | |
| **Long-term** | | | | |
| Floating rate | 60,209 | 137,992 | 3.8% | 5.2% |
| Fixed rate | 102,615 | 42,662 | 3.7% | 4.9% |
| | 162,824 | 180,654 | | |
| | $ 258,094 | 216,911 | | |

| | 2008 | | | | 2007 | | | |
|---|---|---|---|---|---|---|---|---|
| Currency | Short-term | Long-term | Total | Effective rate 1 | Short-term | Long-term | Total | Effective rate 1 |
| Dollars | $ 78,653 | 94,909 | 173,562 | 2.7% | 25,383 | 117,277 | 142,660 | 5.4% |
| Pesos | 6,201 | 23,197 | 29,398 | 5.6% | 6,278 | 25,291 | 31,569 | 5.1% |
| Euros | 5,838 | 42,835 | 48,673 | 4.1% | 4,280 | 34,690 | 38,970 | 5.0% |
| Japanese yen | 2,924 | 1,676 | 4,600 | 1.6% | – | 2,974 | 2,974 | 1.6% |
| Pounds sterling | 797 | 195 | 992 | 4.7% | 271 | 402 | 673 | 5.9% |
| Other currencies | 857 | 12 | 869 | 1.5% | 45 | 20 | 65 | 4.0% |
| | $ 95,270 | 162,824 | 258,094 | | 36,257 | 180,654 | 216,911 | |

1 Represents the weighted average effective interest rate and includes the effects of interest rate swaps and derivative instruments that exchange interest rates and currencies (note 11C).

| 2008 | Short-term | Long-term | 2007 | Short-term | Long-term |
|---|---|---|---|---|---|
| **Bank loans** | | | **Bank loans** | | |
| Lines of credit in Mexico | $ 8,215 | – | Lines of credit Mexico | $ 1,529 | – |
| Lines of credit in foreign countries | 28,054 | – | Lines of credit in foreign countries | 14,751 | – |
| Syndicated loans, 2009 to 2012 | – | 94,189 | Syndicated loans, 2008 to 2012 | – | 98,016 |
| Other bank loans, 2009 to 2013 | – | 66,296 | Other bank loans, 2008 to 2016 | – | 41,147 |
| | 36,269 | 160,485 | | 16,280 | 139,163 |
| **Notes payable** | | | **Notes payable** | | |
| Euro medium term notes, 2009 to 2014 | – | 18,130 | Euro medium term notes, 2008 to 2014 | – | 15,010 |
| Medium-term notes, 2009 to 2017 | – | 38,134 | Medium-term notes, 2008 to 2017 | – | 37,585 |
| Other notes payable | 1,642 | 3,434 | Foreign commercial paper programs | – | 2,239 |
| | | | Other notes payable | 2,416 | 4,218 |
| | 1,642 | 59,698 | | 2,416 | 59,052 |
| Total bank loans and notes payable | 37,911 | 220,183 | Total bank loans and notes payable | 18,696 | 198,215 |
| Current maturities | 57,359 | (57,359) | Current maturities | 17,561 | (17,561) |
| | $ 95,270 | 162,824 | | $ 36,257 | 180,654 |

As of December 31, 2008, CEMEX has short-term debt of approximately $95,270 (US$6,934). As mentioned in note 22, on January 27, 2009 CEMEX and its creditors agreed to extend the term of a portion of such short-term debt. Considering an exchange rate of $13.74 pesos per dollar as of December 31, 2008, approximately $27,288 (US$1,986) of such short-term debt as of the closing of 2008 will mature in 2010, while approximately $14,537 (US$1,058) will mature in 2011.

On June 2, 2008, CEMEX, through one of its subsidiaries, closed two US$525 facilities with a group of banks. Upon origination, each facility allowed the principal amount to be automatically extended for consecutive six months periods indefinitely after a period of three years, including an option of CEMEX to defer interest at any time (with certain limitations). The facilities were treated as equity instruments, in the same manner as CEMEX's outstanding perpetual debentures described in note 15D. In December 2008, as a result of negotiations with banks intended to obtain certain modifications in the credit contracts related to other debt transactions, CEMEX exercised the option to convert these two US$525 facilities into credit contracts without the option to differ interest and the payment of principal under such facilities, which eliminated the equity treatment prospectively. As of December 31, 2008, the nominal amount of these operations of US$1,050 ($14,427) is included within debt in the balance sheet and mature in 2011.

The most representative exchange rates for the financial debt as of the end of the year are as follows:

| | As of February 6, 2009 | 2008 | 2007 |
|---|---|---|---|
| Mexican pesos per dollar | 14.21 | 13.74 | 10.92 |
| Japanese yen per dollar | 91.94 | 90.75 | 111.53 |
| Euros per dollar | 0.7723 | 0.7154 | 0.6854 |
| Pounds sterling per dollar | 0.6755 | 0.6853 | 0.5034 |

Changes in consolidated debt during 2008, 2007 and 2006 are as follows:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Debt at beginning of year | $ 216,911 | 88,331 | 119,015 |
| Proceeds from new credits | 59,568 | 206,690 | 37,199 |
| Debt repayments | (63,278) | (84,412) | (63,182) |
| Increase (decrease) from business combinations | (776) | 13,943 | 551 |
| Foreign currency translation and inflation effects | 45,669 | (7,641) | (5,252) |
| Debt at end of year | $ 258,094 | 216,911 | 88,331 |

The maturities of consolidated long-term debt as of December 31, 2008 are as follows:

| | 2008 |
|---|---|
| 2010 | $ 26,964 |
| 2011 | 90,860 |
| 2012 | 17,526 |
| 2013 | 1,696 |
| 2014 and thereafter | 25,778 |
| | $ 162,824 |

As of December 31, 2007, there were short-term debt obligations amounting to US$1,477 ($16,129), classified as long-term debt considering that CEMEX has, according to the terms of the contracts, the ability and the intention to defer to long-term the payments under such obligations. As of December 31, 2008, there is no short-term debt classified as long-term debt.

As of December 31, 2007, CEMEX has the following lines of credit, both committed and subject to the banks' availability, at annual interest rates ranging between 0.99% and 15.5%, depending on the negotiated currency:

| | Lines of credit | Available |
|---|---|---|
| Revolving credit facilities (US$700) | $ 9,618 | – |
| Multi-currency revolving credit facility (US$1,200) | 16,488 | – |
| Other lines of credit in foreign subsidiaries | 140,155 | 2,933 |
| Other lines of credit from banks | 12,421 | – |
| | $ 178,682 | 2,933 |

### Covenants

Most debt contracts of CEMEX, S.A.B. de C.V. contain restrictive covenants calculated on a consolidated basis requiring, among others, the compliance with financial ratios, mainly: a) the ratio of net debt to operating EBITDA ("leverage ratio"); and b) the ratio of operating EBITDA to financial expense ("coverage ratio"). As a result of modifying some clauses in the credit contracts agreed between CEMEX and its creditors, the leverage to operating flow ratio of 3.5 times remained without effect as of December 31, 2007, being reactivated on September 30, 2008, date on which CEMEX was in compliance. Afterwards, on December 19, 2008, CEMEX and its creditors agreed new modifications to the credit contracts, including changes to the calculation formula and the increase to the limit of the net debt to operating EBITDA ratio to 4.5 times for December 31, 2008 and March 31, 2009, increasing to 4.75 times in June 30, 2009, decreasing to 4.5 times at the end of September and December 2009, decreasing to 4.25 times for the closing of March and June 2010, decreasing to 4 times on September 30, 2010, decreasing to 3.75 for the closing of December 2010, and March and June 2011 and returning to 3.5 on September 30, 2011 and thereafter. In the same way, CEMEX and its creditors agreed to modify the credit contracts of its subsidiary in Spain to increase the net debt to operating EBITDA ratio, which did not include certain maturities of such subsidiary during the first months of 2009 in which cases CEMEX obtained from its creditors the required waivers. As of December 31, 2008, 2007 and 2006, considering the amendments to the credit contracts and the waivers obtained, CEMEX S.A.B. de C.V and its subsidiaries were in compliance with the restrictive covenants imposed by its debt contracts.

Financial ratios are calculated according to formulas established in the debt contracts using definitions that differ from terms defined under MFRS. These financial ratios require in most cases pro forma adjustments. The main consolidated financial ratios as of December 31, 2008, 2007 and 2006 were as follows:

| Consolidated financial ratios | | 2008 | 2007 | 2006 |
|---|---|---|---|---|
| Net debt to operating EBITDA ratio **1, 2** | Limit | =< 4.5 | =< 3.5 | =< 3.5 |
| | Calculation | 4.0 | 3.54 | 1.39 |
| Operating EBITDA to financial expenses ratio **3** | Limit | > 2.5 | > 2.5 | > 2.5 |
| | Calculation | 4.9 | 5.8 | 8.5 |

**1** Net debt to operating EBITDA ratio is calculated dividing net debt by pro forma operating EBITDA for the last twelve months as of the calculation date. According with debt contracts, net debt is calculated considering total debt plus the negative fair value or minus the positive fair value of cross currency swap derivative financial instruments associated with debt, minus cash and temporary investments.

**2** For purposes of the leverage ratio, the pro forma operating EBITDA represents, calculated in pesos, operating income plus depreciation and amortization, plus financial income, plus the portion of operating EBITDA (operating income plus depreciation and amortization) referring to such twelve-month period of any significant acquisition made in the period before its consolidation in CEMEX's financial statements, minus operating EBITDA (operating income plus depreciation and amortization) referring to such twelve-month period of any significant disposal that had already been liquidated. Beginning with the calculation as of December 31, 2008, the monthly consolidated amounts in pesos are translated into U.S. dollars using the respective monthly closing exchange rates, and are translated again into pesos at the closing exchange rate as of the balance sheet date. Until September 30, 2008, calculations were determined with constant pesos coming from the financial statements.

**3** Operating EBITDA to financial expenses is calculated, considering the peso amounts arising from the financial statements, dividing the pro forma operating EBITDA by the financial expense for the last twelve months as of the calculation date. For purposes of the coverage ratio, for all the periods, pro forma operating EBITDA represents operating income plus depreciation and amortization for the last twelve months, plus financial income.

### B) Fair value of assets, financial instruments and derivative financial instruments

CEMEX's carrying amounts of cash, trade accounts receivable, other accounts receivable, trade accounts payable, other accounts payable and accrued expenses, as well as short-term debt, approximate their corresponding estimated fair values due to the short-term maturity and revolving nature of these financial assets and liabilities. Temporary investments (cash equivalents) and long-term investments are recognized at fair value, considering quoted market prices for the same or similar instruments.

The estimated fair value of long-term debt is either based on estimated market prices for such or similar instruments, considering interest rates currently available for CEMEX to negotiate debt with the same maturities, or determined by discounting future cash flows using interest rates currently available to CEMEX. The carrying amounts of long-term debt (including current maturities) and their respective fair values as of December 31, 2008 are as follows:

| | | Carrying amount | Fair value |
|---|---|---|---|
| Bank loans | $ | 160,485 | 160,302 |
| Notes payable | | 59,698 | 73,670 |

The estimated fair value of derivative instruments fluctuates over time and is determined by measuring the effect of future interest rates, exchange rates, prices of natural gas and share prices according to the yield curves shown in the market as of the balance sheet date. These values should be analyzed in relation to the fair values of the underlying transactions and as part of CEMEX's overall exposure attributable to fluctuations in interest rates and foreign exchange rates. The notional amounts of derivative instruments do not necessarily represent amounts exchanged by the parties, and consequently, there is no direct measure of CEMEX's exposure to the use of these derivatives. The amounts exchanged are determined based on the basis of the notional amounts and other terms included in the derivative instruments.

During October 2008, companies experienced a period of greater volatility in the global securities and exchange markets, as part of the strengthening of the financial institutions' crisis which started in 2007. The crisis affected the availability of financing and the companies' perceived risks, resulting from expectations of entering into an extended economic recession. Particularly in Mexico, during the period from October 1 to 16, 2008, the peso depreciated approximately 19%, representing two thirds of the total depreciation of the peso vis-à-vis the dollar during the full year 2008, which was approximately 26%. Meanwhile, the price of CEMEX's CPO decreased 58% in that same period. These two factors significantly and negatively affected the valuation of CEMEX's derivative instruments portfolio, primarily the valuation of foreign exchange forward contracts that hedged CEMEX's net investment in foreign subsidiaries and cross currency swaps related to debt, as well as forward contracts in CEMEX's own shares that hedged the exercise of options under the executive stock option programs, among others. In the aforementioned period from October 1 to 16, 2008, changes in the fair value of the derivative instruments portfolio represented losses of approximately US$976 ($13,410), which sensibly affected the availability of CEMEX's lines of credit and triggered the need to make deposits in margin accounts with the counterparties. As of October 31, 2008 such deposits amounted to US$750 ($10,305), negatively affecting CEMEX liquidity. In light of a very uncertain economic outlook and the expectation of further worsening of the economic variables, CEMEX decided to neutralize all of its derivative instrument positions that were sensitive to fluctuations of the exchange rate of the peso vis-à-vis foreign currencies and the price of its shares.

In order to close those positions and considering contractual limitations to settle the contracts before their maturity date, between October 14 and 16, 2008, CEMEX entered with the same counterparties into new derivative instruments representing the opposite position to the exposure resulting from fluctuations of the economic variables included in the original derivative instruments. This means that from the date of the negotiation of the new opposite positions, any changes in the fair value of the original instruments, is effectively offset by an equivalent inverse amount generated by the new positions. For purposes of disclosure in the notes to the financial statements, beginning with their negotiation, CEMEX has designated the portfolio of original and opposite derivative positions as "Inactive derivative financial instruments." Likewise, CEMEX has designated as "Active derivative financial instruments" the derivative instruments portfolio in which CEMEX is still exposed to changes in fair value. For disclosure purpose in these financial statements, both portfolios, active and inactive are presented separately.

As of December 31, 2008, the balance of deposits in margin accounts with financial institutions that guarantee CEMEX obligations through derivative financial instruments amounts to US$570 ($7,382), of which US$372 ($5,111) is related to active positions and US$198 ($2,720) to inactive positions. As detailed in note 2F, pursuant to balance net settlement agreements included in the derivative instrument contracts, the deposits in margin accounts have been offset within CEMEX's liabilities with the counterparties.

For the year ended December 31, 2008, the caption "Results from financial instruments" includes the losses related with the recognition of changes in fair values of the derivative instruments portfolio during the period, for both active and inactive positions.

### C) Active derivative financial instruments

The accounting policy to recognize derivative instruments is described in note 2L. As mentioned above, CEMEX presents in this section those derivative instruments for which CEMEX is exposed to changes in fair values. As of December 31, 2008 and 2007, the nominal amounts and the fair values of the portfolio of derivative instruments related to assets are as follows:

| | | 2008 | | 2007 | |
|---|---|---|---|---|---|
| (U.S. dollars millions) | | Nominal | Fair value | Nominal | Fair value |
| I. Derivative financial instruments related to debt | US$ | 16,416 | (4) | 9,103 | 233 |
| II. Other derivative financial instruments | | 877 | (36) | 613 | (2) |
| III. Derivative financial instruments related to equity instruments | | 3,520 | 222 | 7,910 | 130 |
| | US$ | 20,813 | 182 | 17,626 | 361 |

## I. Active derivative financial instruments related to debt

With the intention of: a) changing the profile of the interest rates originally negotiated in a portion of the debt; b) changing the profile of the interest rates and currencies of debt originally negotiated in pesos and dollars; and/or c) changing the mix of currencies of its debt, CEMEX has negotiated interest rate swaps, cross currency swaps ("CCS"), as well as foreign exchange forward contracts. As of December 31, 2008 and 2007, the notional amounts, fair value and characteristics of these derivative financial instruments are summarized as follows:

| (U.S. dollars millions) | 2008 Notional amount | 2008 Fair value | 2007 Notional amount | 2007 Fair value |
|---|---|---|---|---|
| Interest rate swaps | US$ 15,319 | (18) | 4,473 | 68 |
| Cross currency swaps | 528 | (57) | 2,532 | 126 |
| Foreign exchange forward contracts | 569 | 71 | 2,098 | 39 |
| | US$ 16,416 | (4) | 9,103 | 233 |

## I.1 Interest rate swap contracts

Changes in fair value of interest rate swaps, recognized in the results for the period, generated losses of US$210 ($2,885) in 2008 and US$28 ($306) in 2007, and a gain of US$1 ($12) in 2006. Information about these instruments as of December 31, 2008 and 2007 is as follows:

2008

| (U.S. dollars millions) | Notional amount | Fair value | Effective rate | Maturity | CEMEX receives* | CEMEX pays* |
|---|---|---|---|---|---|---|
| Short-term debt in US$ | 188 | (1) | 4.8% | February 2009 | LIBOR | Dollar 4.8% |
| Short-term debt in US$ | 3,000 | (18) | 3.0% | June 2009 | LIBOR | Dollar 3.0% |
| Long-term debt in US$ **1** | 8,500 | (78) | 2.7% | June 2011 | Cap dollar 3.5% | Cap dollar 1.9% |
| Long-term debt in € | 1,258 | 100 | 4.5% | March 2014 | Euro 4.8% | EURIBOR* plus 78bps |
| Long-term debt in US$ **2** | 500 | (25) | 5.0% | April 2011 | LIBOR plus 133bps | Dollar 5.0% |
| Long-term debt in € **3** | 1,174 | 10 | 4.3% | December 2011 | EURIBOR | Euro 4.3% |
| Long-term debt in US$ **4** | 70 | (13) | 2.8% | March 2011 | Pesos 8.7% | LIBOR plus 19bps |
| Long-term debt in US$ **4** | 48 | (1) | 1.6% | May 2009 | TIIE minus 30bps | LIBOR |
| Long-term debt in US$ **4** | 136 | (15) | 3.0% | April 2012 | Pesos 11.5% | Dollar 3.0% |
| Long-term debt in US$ **4** | 295 | (51) | 1.4% | September 2012 | CETES plus 49bps | LIBOR plus 27bps |
| Long-term debt in US$ **4** | 150 | (11) | 2.8% | June 2020 | LIBOR | ¥ LIBOR |
| | 15,319 | (103) | | | | |
| Deposits in margin accounts | – | 85 | | | | |
| | 15,319 | (18) | | | | |

2007

| (U.S. dollars millions) | Notional amount | Fair value | Effective rate | Maturity | CEMEX receives | CEMEX pays |
|---|---|---|---|---|---|---|
| Long-term debt in US$ | 188 | – | 5.0% | February 2008 | LIBOR | Dollar 4.7% |
| Long-term debt in US$ | 59 | 2 | 5.5% | January 2008 | LIBOR plus 475bps | LIBOR plus 50bps |
| Long-term debt in US$ | 1,688 | 3 | 5.1% | August 2010 | LIBOR | Dollar 5.0% |
| Long-term debt in € **3** | 1,313 | 42 | 4.9% | March 2014 | Euro 4.8% | EURIBOR* plus 78bps |
| Long-term debt in € | 1,225 | 21 | 4.7% | June 2011 | EURIBOR* | Euro 4.3% |
| | 4,473 | 68 | | | | |

* LIBOR represents the London Inter-Bank Offered Rate, an international reference for debt denominated in U.S. dollars. EURIBOR is the equivalent rate for debt denominated in Euros. At December 31, 2008 and 2007, LIBOR was 1.43% and 4.70%, respectively, while the EURIBOR was 2.89% in 2008 and 4.71% in 2007. The contraction "bps" means basis points. One basis point is 0.01 percent.

**1** The effective rate is the average of the cap rate of 3.5% and the floor rate of 1.9%.

**2** From these contracts, a notional amount of US$400 are accounted as cash flow hedges, recognizing the effects in the stockholders' equity, representing a loss of US$25 in 2008. These instruments have the same critical terms as of those of the primary position.

**3** The rate that CEMEX pays in this instrument is limited to 4.9%.

**4** In connection with the closing of positions with exposure to fluctuations of the exchange rate of the peso to the dollar described above in connection with these CCS, CEMEX negotiated currency forward contracts with opposite exposure to the original positions, eliminating the exchange of notional amounts and continuing the exchange of interest rates, which is denominated as basis swaps.

### I.2 Cross currency swap contracts

As of December 31, 2008 and 2007, in connection with the fair value of the CCS, CEMEX recognized a net liability of US$57 ($783) and a net asset of US$126 ($1,376), respectively. In 2008, 2007 and 2006, changes in the fair value of CCS, recognized in the results of the period, generated losses of US$216 ($2,968), US$28 ($306) and US$58 ($679), respectively. Information about these derivative instruments at December 31, 2008 and 2007 is as follows:

| | 2008 | | | | | |
|---|---|---|---|---|---|---|
| (U.S. dollars millions) | Notional amount | Fair value | Effective rate | Maturity | CEMEX receives * | CEMEX pays * |
| **Short-term** | | | | | | |
| Exchange $1,000 to US$ | 96 | (24) | 0.7% | June 2009 | TIIE minus 30bps | LIBOR |
| Exchange UDIs 425 to US$ | 148 | (16) | 3.0% | January 2009 | UDIs 6.5% | LIBOR minus 20bps |
| Exchange $647 to US$ | 50 | (3) | 3.8% | April 2009 | Pesos 9.3% | LIBOR |
| | 294 | (43) | | | | |
| **Long-term** | | | | | | |
| Exchange $2,500 to US$ | 234 | (47) | 2.1% | March 2011 | CETES plus 59bps | LIBOR minus 11bps |
| | 234 | (47) | | | | |
| | 528 | (90) | | | | |
| Deposits in margin accounts | – | 33 | | | | |
| | 528 | (57) | | | | |

| | 2007 | | | | | |
|---|---|---|---|---|---|---|
| (U.S. dollars millions) | Notional amount | Fair value | Effective rate | Maturity | CEMEX receives * | CEMEX pays * |
| **Short-term** | | | | | | |
| Exchange UDIs 341 to US$ | 110 | 13 | 8.1% | January 2008 | UDIs 8.9% | LIBOR plus 278bps |
| Exchange UDIs 432 to US$ | 136 | 25 | 4.8% | December 2008 | UDIs 5.9% | Dollar 4.8% |
| Exchange $2,000 to US$ | 184 | (1) | 5.1% | June 2008 | TIIE minus 32bps | LIBOR |
| Exchange $800 to US$ | 74 | – | 6.6% | October 2008 | CETES plus 145bps | LIBOR plus 136bps |
| | 504 | 37 | | | | |
| **Long-term** | | | | | | |
| Exchange UDIs 425 to US$ | 148 | 13 | 5.4% | January 2009 | UDIs 6.5% | LIBOR minus 20bps |
| Exchange $750 to US$ | 70 | 1 | 5.3% | March 2011 | Pesos 8.7% | LIBOR minus 19bps |
| Exchange $1,500 to US$ | 136 | 29 | 3.0% | April 2012 | Pesos 11.5% | Dollar 3.0% |
| Exchange $2,140 to US$ | 193 | 9 | 3.3% | April 2009 | CETES plus 99bps | Dollar 3.3% |
| Exchange $7,150 to US$ | 664 | 15 | 4.8% | September 2011 | CETES plus 52bps | LIBOR minus 20bps |
| Exchange $8,950 to US$ | 817 | 22 | 5.1% | September 2012 | TIIE plus 10bps | LIBOR minus 3bps |
| | 2,028 | 89 | | | | |
| | 2,532 | 126 | | | | |

* TIIE represents the Interbank Offering Rate in Mexico. UDIs are investment units indexed to inflation in Mexico, whose closing quotation at the end of 2008 was 4.18 pesos per UDI and in 2007 was 3.93 pesos per UDI. CETES are public debt instruments issued by the Mexican government. TIIE was 8.69% in 2008 and 7.93% in 2007, and the CETES yield was 7.96% in 2008 and 7.46% in 2007.

### I.3 Foreign exchange forward contracts related to debt

As of December 31, 2008 and 2007, a summary of derivative instruments related to debt is as follows:

| | 2008 | | 2007 | |
|---|---|---|---|---|
| (U.S. dollars millions) | Notional amount | Fair value | Notional amount | Fair value |
| Exchange from pesos to dollars | US$ 240 | (12) | 315 | (2) |
| Exchange from dollars to euros | – | – | 1,447 | 11 |
| Exchange from pound sterling to dollars | 75 | 1 | 82 | (1) |
| Exchange from dollars to yen | 254 | 82 | 254 | 31 |
| | US$ 569 | 71 | 2,098 | 39 |

Changes in the fair value of these contracts were recognized in the results of the corresponding period, since they were not designated as hedges.

Between April and August 2007, in connection with the acquisition of Rinker, CEMEX negotiated foreign exchange forward contracts in order to hedge the variability in a portion of the cash flows associated with exchange fluctuations between the Australian dollar and the U.S. dollar, the currency in which CEMEX obtained financing. The notional amount of these contracts reached approximately US$5,663 in June 2007. Resulting from changes in the fair value of these contracts, upon settlement, CEMEX realized a gain of approximately US$137 ($1,496), which was recognized in the results of the period in 2007.

## II. Other active derivative financial instruments

As of December 31, 2008 and 2007, outstanding derivative instruments, other than those related to debt and to equity are as follows:

| (U.S. dollars millions) | | 2008 Notional amount | 2008 Fair value | 2007 Notional amount | 2007 Fair value |
|---|---|---|---|---|---|
| Equity forwards in third parties' shares **1** | US$ | 258 | (12) | – | – |
| Forward contracts related to indexes **2** | | 40 | (5) | – | – |
| Other foreign exchange instruments **3** | | 371 | (73) | 273 | (18) |
| Derivative related to energy projects **4** | | 208 | 54 | 219 | 14 |
| Equity forwards in CEMEX's own shares **5** | | – | – | 121 | 2 |
| | US$ | 877 | (36) | 613 | (2) |

**1** In connection with the sale of shares of AXTEL (note 8A) and in order to benefit from the future increase in the prices of such entity, on March 31, 2008, CEMEX entered into a forward contract convertible to cash over the price of 119 million CPOs of AXTEL with maturity in April 2011. Fair value includes a deposit in margin accounts for US$184 ($2,528) which is presented net within liabilities, as a result of net settlement agreements with the counterparty. Changes in the fair value of this instrument generated a loss in the income statement of approximately US$196 ($2,693).

**2** During 2008, CEMEX negotiated forward derivative instruments over the TRI (Total Return Index) of the Mexican Stock Exchange, maturing in October 2009, through which CEMEX maintains exposure to increases or decreases of such index. TRI expresses the market return on stocks based on market capitalization of the issuers comprising the index.

**3** As of December 31, 2008 and 2007, CEMEX had foreign exchange forward contracts, not designated as hedges, whose valuation effects are recognized in the income statement for the period.

**4** In connection with agreements entered into by CEMEX for the acquisition of electric energy in Mexico (note 19C), as of December 31, 2008 and 2007, CEMEX had an interest rate swap (exchanging fixed for floating interest rate), maturing in September 2022. During the life of the swap and based on its notional amount, CEMEX pays a LIBO rate and receives a 5.40% fixed rate. The change in the fair value of this instrument generated a gain in the income statement of approximately US$40 ($550).

**5** As of December 31, 2007, CEMEX had a forward contract over the price of approximately 47 million CPOs to hedge the exercise of options in the executive stock option program (note 16). During 2008, the hedge was increased to approximately 81 million CPOs with a nominal amount of US$206. During October 2008, a significant decrease in the price of the CPO originated the anticipated settlement of these contracts, which generated a loss of approximately US$153 ($2,102), recognized in the results for the period.

## III. Active derivative financial instruments related to equity instruments

As of December 31, 2008 and 2007, information about these instruments is as follows:

| (U.S. dollars millions) | | 2008 Notional amount | 2008 Fair value | 2007 Notional amount | 2007 Fair value |
|---|---|---|---|---|---|
| Options in CEMEX's own shares | US$ | 500 | (44) | – | – |
| Derivatives related to perpetual debentures | | 3,020 | 266 | 3,065 | 202 |
| Foreign exchange forward contracts | | – | – | 4,845 | (72) |
| | US$ | 3,520 | 222 | 7,910 | 130 |

### Options in CEMEX's own shares

In June 2008, CEMEX entered into a structured transaction of US$500 ($6,870) paying an interest coupon of LIBOR plus 132.5bps, which includes options based on the price of CEMEX's ADR, whereby if the ADR price exceeds 32 dollars the net interest rate in this debt issuance would be zero. This rate increases as the price of the ADR decreases, to a maximum of 12% when the price per ADR is below 23 dollars. CEMEX values the options based on the price of its ADR at fair value, recognizing gains and losses in the income statement. The fair value includes a deposit in margin accounts of US$69 ($948), which was offset within CEMEX's liabilities as a result of a net settlement agreement with the counterparty.

### Foreign exchange forward contracts

As of December 31, 2007 in order to hedge financial risks associated with variations in foreign exchange rates of certain net investments in foreign countries denominated in euros and dollars to the peso, and consequently reducing volatility in the value of stockholders' equity in CEMEX's reporting currency, CEMEX negotiated foreign exchange forward contracts with different maturities until 2010. Changes in the estimated fair value of these instruments are recorded in stockholders' equity as part of the foreign currency translation effect. In October 2008, in connection with the closing process of positions exposed to fluctuations in exchange rates to the peso previously described, CEMEX entered into foreign exchange forward contracts with opposite exposure to the original contracts. As a result of these new positions, changes in the fair value of the original instruments will be offset by an equivalent inverse amount generated by these new derivative positions. The designation of the original positions as hedges of CEMEX's net exposure on investments in foreign subsidiaries in stockholders' equity ended with the negotiation of the new opposite derivative positions in October 2008. Therefore, changes in fair value of original positions and new opposite derivative positions are recognized prospectively in the income statement within inactive derivative financial instruments (note 11D). Valuation effects were recognized within comprehensive income until the hedge designation was revoked, adjusting the cumulative effect for translation of foreign subsidiaries.

### Interest rate and foreign exchange derivative instruments related to perpetual debentures

In connection with the issuance of perpetual debentures (note 15D) as of December 31, 2008 and 2007, there are CCS associated with such instruments for approximately US$3,020 ($41,495) and US$3,065 ($33,470), respectively, through which CEMEX changes the risk profile associated with interest rates and foreign exchange rates from the U.S. dollar and the euro to the yen.

| | 2008 | | | | | |
|---|---|---|---|---|---|---|
| (U.S. dollars millions) | Notional amount | Fair value | Effective rate | Maturity | CEMEX receives | CEMEX pays |
| C-10 €730 to ¥119,085 | 1,020 | 101 | 4.1% | June 2017 | Euro 6.3% | ¥ LIBOR • 3.1037 |
| C-8 US$750 to ¥90,193 | 750 | 38 | 4.1% | December 2014 | Dollar 6.6% | ¥ LIBOR • 3.5524 |
| C-5 US$350 to ¥40,905 | 350 | 16 | 4.1% | December 2011 | Dollar 6.2% | ¥ LIBOR • 4.3531 |
| C-10 US$900 to ¥105,115 | 900 | 111 | 4.1% | December 2016 | Dollar 6.7% | ¥ LIBOR • 3.3878 |
| | 3,020 | 266 | | | | |

| | 2007 | | | | | |
|---|---|---|---|---|---|---|
| (U.S. dollars millions) | Notional amount | Fair value | Effective rate | Maturity | CEMEX receives | CEMEX pays |
| C-10 €730 to ¥119,085 | 1,065 | 81 | 3.6% | June 2017 | Euro 6.3% | ¥ LIBOR • 3.1037 |
| C-8 US$750 to ¥90,193 | 750 | 52 | 4.0% | December 2014 | Dollar 6.6% | ¥ LIBOR • 3.5524 |
| C-5 US$350 to ¥40,905 | 350 | 13 | 5.1% | December 2011 | Dollar 6.2% | ¥ LIBOR • 4.3531 |
| C-10 US$900 to ¥105,115 | 900 | 56 | 4.0% | December 2016 | Dollar 6.7% | ¥ LIBOR • 3.3878 |
| | 3,065 | 202 | | | | |

• The symbol "¥" represents the Japanese yen. ¥ LIBOR represents the *London Inter-Bank Offered Rate*, which is the interest rate for transactions denominated in Japanese yen in international markets.

Each CCS includes an extinguishable swap, which provides that if the relevant perpetual debentures are extinguished for stated conditions but before the maturity of the CCS, such CCS would be automatically extinguished, with no amounts payable by the swaps counterparties. In addition, in order to eliminate variability during the first two years in the yen denominated payments due under the CCS until 2010, CEMEX entered into foreign exchange forwards for notional amounts of US$196 as of December 31, 2008 and US$273 as of December 31, 2007, under which CEMEX pays U.S. dollars and receives payments in yen. Changes in fair value of all the derivative instruments associated with the perpetual debentures are recognized in the income statement.

### D) Inactive derivative financial instruments

As explained in note 11B, in order to eliminate the exposure in positions of derivative instruments sensitive to fluctuations in the foreign exchange rate of the peso against foreign currencies and to the price of its own shares and considering contractual limitations to extinguish contracts before their maturity date, between October 14 and 16, 2008, CEMEX negotiated new derivative instruments with the same counterparties. These instruments represent the opposite position of the exposure to fluctuations in the economic variables included in the original derivative instruments, effectively eliminating the volatility of these instruments in the income statement. As of December 31, 2008, derivative instruments involved in this restructuring are disclosed as inactive positions and their valuation effects are presented within "Other financial obligations" in the balance sheet.

As of December 31, 2008, related to net settlement agreements included in CEMEX's derivative instruments contracts, the balance of deposits in margin accounts of US$198 ($2,720) of inactive positions was offset within CEMEX's liabilities with its counterparties. As of December 31, 2008, inactive derivative instruments are presented as follows:

| | | 2008 | |
|---|---|---|---|
| (U.S. dollars millions) | | Notional amount • | Fair value |
| Short-term CCS original derivative position **1** | US$ | 460 | (48) |
| Short-term CCS opposite derivative position | | 460 | 18 |
| Long-term CCS original derivative position **2** | | 1,299 | (257) |
| Long-term CCS opposite derivative position | | 1,299 | 58 |
| | | | (229) |
| Deposit in margin accounts | | | 126 |
| | | | (103) |
| Short-term foreign exchange forward contracts original position **3** | | 2,616 | (599) |
| Short-term foreign exchange forward contracts opposite position | | 2,616 | 270 |
| Long-term foreign exchange forward contracts original position **4** | | 110 | (30) |
| Long-term foreign exchange forward contracts opposite position | | 110 | 15 |
| | | | (344) |
| Deposit in margin accounts | | | 72 |
| | | | (272) |
| CCS related to original debt position **5** | | 900 | 2 |
| Forward contracts related to opposite debt position | | 900 | (12) |
| | | | (10) |
| | US$ | | (385) |

• Notional amounts of the original derivative positions and the opposite derivative positions are not aggregated, considering that the effects of one instrument is proportionally inverse to the effect of the other instrument, and therefore, eliminated.

**1** The original derivative position refers to short-term CCS that exchange $4,938 for US$460, receiving an average rate of 9.0% in Mexican pesos and paying a rate of 2.3% in dollars, whose last maturity is in May 2009. In the opposite derivative position, with the same maturities, the CCS exchange US$460 for $4,938, receiving a rate of 2.3% in dollars and paying an average rate of 9.0% in Mexican pesos.

**2** The original derivative position refers to long-term CCS that exchange $628 UDIs and $11,450 for US$1,299, receiving an average rate of 4.0% in UDIs and 8.9% in pesos, and paying a rate of 1.8% in dollars, whose last maturity is in November 2017. In the opposite derivative position, with the same maturities, the CCS exchange US$1,299 for $628 UDIs and $11,450, receiving a rate of 1.8% in dollars and paying an average rate of 4.0% in UDIs and 8.9% in pesos.

**3** The original derivative position refers to short-term foreign exchange forward contracts related to hedges of stockholders' equity for changes in the exchange rates of some foreign investments and includes a notional amount of US$1,759 of peso/euro contracts and US$857 of peso/dollar contracts, whose last maturity is in September 2009. In the opposite derivative position, with the same maturities, a notional amount of US$1,759 is included in the euro/peso contracts and US$857 in the dollar/peso contracts.

**4** The original derivative position refers to long-term foreign exchange forward contracts related to hedges of stockholders' equity, as above. They refer to forward peso/euro contracts, whose last maturity is in January 2010. In the opposite derivative position, euro/peso forward contracts were negotiated for a notional amount of US$110.

**5** The original derivative position refers to CCS with maturity in June 2011 which exchange dollar for Japanese yen, receiving a rate in dollars of 2.8113% and paying a rate in Japanese yen of 1.005%. In the opposite derivative position, for the same notional amount and until maturity, interest rate flows are exchanged for a Japanese yen rate of 1.005% and paying a rate in dollars of 2.8113%.

## 12. Other current and non-current liabilities

As of December 31, 2008 and 2007, other current accounts payable and accrued expenses are as follows:

| | | 2008 | 2007 |
|---|---|---|---|
| Provisions | $ | 13,017 | 10,504 |
| Other accounts payable and accrued expenses | | 6,497 | 4,715 |
| Tax payable | | 7,306 | 4,631 |
| Advances from customers | | 2,195 | 1,466 |
| Interest payable | | 1,268 | 1,665 |
| Current liabilities for valuation of derivative instruments | | 1,135 | 425 |
| Dividends payable | | 44 | 65 |
| | $ | 31,462 | 23,471 |

The caption "Other accounts payable and accrued expenses" includes approximately $772 of the reclassification of current liabilities of Austria and Hungary. Current provisions primarily consist of employee benefits accrued at the balance sheet date, insurance payments, and accruals related to legal and environmental assessments expected to be settled in the short-term (note 20). These amounts are revolving in nature and are expected to be settled and replaced by similar amounts within the next 12 months. The increase in current provision includes the amounts pending to be settled associated with the cost-reduction program started in September 2008. The program aimed to reduce costs in CEMEX's worldwide network and includes closing of installed capacity and workforce reductions.

Other non-current liabilities include the best estimate of cash flows with respect to diverse issues where CEMEX is determined to be responsible and which are expected to be settled over a period greater than 12 months. The detail of this caption as of December 31, 2008 and 2007 is as follows:

| | | 2008 | 2007 |
|---|---|---|---|
| Asset retirement obligations **1** | $ | 1,830 | 2,000 |
| Remediation and environmental liabilities **2** | | 4,785 | 4,087 |
| Accruals for legal assessments and other responsibilities **3** | | 4,102 | 1,085 |
| Non-current liabilities for valuation of derivative instruments | | 8,777 | 3,432 |
| Other non-current liabilities and provisions | | 4,250 | 5,558 |
| | $ | 23,744 | 16,162 |

1 Provisions for asset retirement include future estimated costs for demolition, cleaning and reforestation of production sites at the end of their operation, which are initially recognized against the related assets and are depreciated over their estimated useful life.

2 Provisions for remediation and environmental liabilities include future estimated costs arising from legal or constructive obligations, related to cleaning, reforestation and other remedial actions, in order to remediate damage caused to the environment. The expected average period to settle these obligations is greater than 15 years.

3 Provisions for legal claims and other responsibilities include items related to tax contingencies.

"Other non-current liabilities and provisions" presented in the table above include approximately $1,772 of the reclassification of non-current liabilities of Austria and Hungary. As of December 31, 2008 and 2007, the most significant legal proceedings that gave rise to a portion of the carrying amount of CEMEX's other non-current liabilities and provisions are detailed in note 20.

Changes in consolidated other non-current liabilities for the years ended December 31, 2008 and 2007 are the following:

| | | 2008 | 2007 |
|---|---|---|---|
| Balance at beginning of period | $ | 16,162 | 14,725 |
| Current period additions due to new obligations or increase in estimates | | 9,479 | 1,797 |
| Current period releases due to payments or decrease in estimates | | (2,276) | (1,906) |
| Additions due to business combinations | | 64 | 2,098 |
| Reclassification from current to non-current liabilities, net | | (438) | (5) |
| Foreign currency translation and inflation effects | | 753 | (547) |
| Balance at end of period | $ | 23,744 | 16,162 |

## 13. Employee benefits

### Defined contribution plans

As mentioned in note 2N, the costs of defined contribution pension plans are recognized in the period in which the funds are transferred to the employees' investment accounts, without generating future obligations. Costs of defined contribution pension plans for the years ended December 31, 2008, 2007 and 2006 were approximately $708, $424 and $344, respectively.

### Defined benefit plans

Costs of defined benefit pension plans and other post-retirement benefits, such as health care benefits, life insurance and seniority premiums, as well as termination benefits not associated with a restructuring event, are recognized in the income statement as employees' services are rendered, based on actuarial calculations of the benefits' present value. The reconciliation of the actuarial benefits obligations, pension plan assets, and liabilities recognized in the balance sheet as of December 31, 2008 and 2007 are presented as follows:

| | Pensions | | Other benefits | | Total | |
|---|---|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| **Change in benefits obligation:** | | | | | | |
| Projected benefit obligation at beginning of year | $ 29,803 | 33,228 | 1,868 | 1,972 | 31,671 | 35,200 |
| Service cost | 404 | 848 | 124 | 117 | 528 | 965 |
| Interest cost | 1,714 | 1,591 | 117 | 87 | 1,831 | 1,678 |
| Actuarial results | (1,423) | (3,280) | (99) | (83) | (1,522) | (3,363) |
| Employee contributions | 81 | 73 | – | – | 81 | 73 |
| Additions through business combinations | 14 | 750 | – | 15 | 14 | 765 |
| Foreign currency translation and inflation effects | 493 | (1,381) | 33 | (96) | 526 | (1,477) |
| Settlements and curtailments | (592) | (282) | (13) | 2 | (605) | (280) |
| Benefits paid | (1,651) | (1,744) | (196) | (146) | (1,847) | (1,890) |
| Projected benefit obligation at end of year | 28,843 | 29,803 | 1,834 | 1,868 | 30,677 | 31,671 |
| **Change in plan assets:** | | | | | | |
| Fair value of plan assets at beginning of year | 24,836 | 26,459 | 26 | 27 | 24,862 | 26,486 |
| Return on plan assets | (3,880) | (51) | (4) | 1 | (3,884) | (50) |
| Foreign currency translation and inflation effects | 104 | (1,330) | – | – | 104 | (1,330) |
| Additions through business combinations | 171 | 660 | – | – | 171 | 660 |
| Employer contributions | 833 | 928 | 193 | 145 | 1,026 | 1,073 |
| Employee contributions | 81 | 73 | – | – | 81 | 73 |
| Settlements and curtailments | (622) | (68) | – | – | (622) | (68) |
| Benefits paid | (1,651) | (1,835) | (196) | (147) | (1,847) | (1,982) |
| Fair value of plan assets at end of year | 19,872 | 24,836 | 19 | 26 | 19,891 | 24,862 |
| **Amounts recognized in the balance sheets:** | | | | | | |
| Funded status | 8,971 | 4,967 | 1,815 | 1,842 | 10,786 | 6,809 |
| Transition liability | (80) | (100) | (262) | (281) | (342) | (381) |
| Prior service cost and actuarial results | (3,992) | 242 | 336 | 75 | (3,656) | 317 |
| Accrued benefit liability | 4,899 | 5,109 | 1,889 | 1,636 | 6,788 | 6,745 |
| Additional minimum liability (note 10) | – | 663 | – | 242 | – | 905 |
| Net projected liability recognized | $ 4,899 | 5,772 | 1,889 | 1,878 | 6,788 | 7,650 |

Starting in 2008, as a result of the adoption of new MFRS D-3, the requirement to recognize a minimum liability in those individual cases in which the actual benefit obligation less the plan assets (net actual liability) was lower than the net projected liability was eliminated. As of December 31, 2007, CEMEX recognized minimum liabilities against intangible assets for $905.

As of December 31, 2008 and 2007, the projected benefit obligation is derived from the following types of plans and benefits:

| | 2008 | 2007 |
|---|---|---|
| Plans and benefits totally unfunded | $ 2,431 | 2,349 |
| Plans and benefits partially or totally funded | 28,246 | 29,322 |
| Projected benefit obligation ("PBO") at end of the period | $ 30,677 | 31,671 |

For the years ended December 31, 2008, 2007 and 2006, the net periodic cost of pension plans, other post-retirement benefits and termination benefits are as follows:

| | Pensions | | | Other benefits 1 | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2007 | 2006 | 2008 | 2007 | 2006 | 2008 | 2007 | 2006 |
| **Net periodic cost:** | | | | | | | | | |
| Service cost | $ 404 | 848 | 797 | 124 | 117 | 101 | 528 | 965 | 898 |
| Interest cost | 1,714 | 1,591 | 1,463 | 117 | 87 | 87 | 1,831 | 1,678 | 1,550 |
| Actuarial return on plan assets | (1,624) | (1,569) | (1,572) | (2) | (1) | (2) | (1,626) | (1,570) | (1,574) |
| Amortization of prior service cost, transition liability and actuarial results | 123 | 40 | (16) | 121 | 51 | 57 | 244 | 91 | 41 |
| Loss (gain) for settlements and curtailments | 33 | (169) | – | (15) | – | – | 18 | (169) | – |
| | $ 650 | 741 | 672 | 345 | 254 | 243 | 995 | 995 | 915 |

1 Includes the net periodic cost of termination benefits.

Based on new MFRS D-3, prior services and actuarial results related to pension plans and other post-retirement benefits are amortized during the estimated remaining years of service of the employees subject to these benefits. As of December 31, 2008, the approximate average years of service for pension plans is 11.8 years and 15.9 years for other post-retirement benefits. As mentioned in note 2N, upon adoption in 2008, MFRS D-3 required amortizing the transition liability, prior services and actuarial results accumulated as of December 31, 2007, recognized under the previous MFRS D-3 related to pensions, other post-retirement benefits and termination benefits, in a maximum period of five years. MFRS D-3 establishes that termination benefits generated after its adoption are recognized in the results of the period in which they are generated. The net cost of the period in 2008 includes the transition amortization established by the new MFRS D-3.

As of December 31, 2008 and 2007, plan assets are valued at their estimated fair value and consist of:

| | 2008 | 2007 |
|---|---|---|
| Fixed-income securities | $ 9,487 | 8,980 |
| Marketable securities quoted in formal markets | 3,951 | 12,941 |
| Private funds and other investments | 6,453 | 2,941 |
| | $ 19,891 | 24,862 |

As of December 31, 2008, estimated future benefit payments for pensions and other post-retirement benefits during the next ten years are as follows:

| | 2008 |
|---|---|
| 2009 | $ 2,257 |
| 2010 | 2,184 |
| 2011 | 2,068 |
| 2012 | 2,134 |
| 2013 | 2,145 |
| 2014 – 2018 | 11,332 |

The most significant assumptions used in the determination of the net periodic cost are as follows:

| | 2008 | | | | 2007 | | | |
|---|---|---|---|---|---|---|---|---|
| | Mexico | United States | United Kingdom | Other countries 1 | Mexico | United States | United Kingdom | Other countries 1 |
| Discount rates | 8.1% | 6.2% | 5.7% | 4.2% - 9.8% | 4.5% | 6.2% | 5.7% | 4.2% - 9.8% |
| Rate of return on plan assets | 9.7% | 8.0% | 6.3% | 4.0% - 9.7% | 6.0% | 8.0% | 6.1% | 4.0% - 8.2% |
| Rate of salary increases | 5.1% | 3.5% | 3.1% | 2.2% - 5.1% | 1.5% | 3.5% | 3.1% | 2.2% - 4.8% |

1 Range of rates.

As of December 31, 2008 and 2007, the aggregate PBO for pension plans and other benefits and the plan assets by country are as follows:

| | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| | PBO | Assets | Deficit (Excess) | PBO | Assets | Deficit (Excess) |
| Mexico | $ 3,148 | 894 | 2,254 | 3,207 | 1,868 | 1,339 |
| United States | 4,966 | 4,051 | 915 | 4,153 | 4,772 | (619) |
| United Kingdom | 16,389 | 12,976 | 3,413 | 18,727 | 16,305 | 2,422 |
| Other countries | 6,174 | 1,970 | 4,204 | 5,584 | 1,917 | 3,667 |
| | $ 30,677 | 19,891 | 10,786 | 31,671 | 24,862 | 6,809 |

### Other information related to employees' benefits at retirement

During 2008, CEMEX reduced its workforce subject to defined pension benefits in several countries including the United States and United Kingdom. In addition, the pension plan in Puerto Rico was frozen. These actions generated events of settlement and curtailment of obligations in the respective pension plans according to MFRS D-3. Therefore, changes in the plan liabilities and proportional parts of prior services and actuarial results pending to be amortized were recognized in the income statement for the period, which represented a loss of approximately $33.

The defined benefit plan in the United Kingdom has been closed to new participants since January 2004. Regulation in the United Kingdom requires entities to maintain plan assets in a level similar to that of the obligations; consequently, it is expected that CEMEX will make significant contributions to the United Kingdom's pension plans in the following years. As of December 31, 2008, the deficit in the funded status amounted to approximately $3,413. After reducing the deficits related to other post-retirement benefits, which are financed through normal operations, the deficit was approximately $3,093.

During 2007, the subsidiary of CEMEX in the United States changed its defined benefit plans, by means of which employees' benefits under such plans were frozen as of December 31, 2007, generating a settlement gain of approximately $169. In connection with the decision to freeze benefits under the U.S. defined benefit pension plans, the employees' benefits were increased through defined contribution plans. CEMEX considers that the changes in pension benefits will be a more attractive incentive to hire and retain personnel.

### Information related to benefits upon termination

There are benefits paid to personnel pursuant to legal requirements upon termination of the working relationship, based on the years of service and the last salary received. The PBO of these benefits as of December 31, 2008 and 2007 was approximately $589 and $574, respectively.

### Information related to other post-retirement benefits

In some countries, CEMEX has established health care benefits for retired personnel, limited to a certain number of years after retirement. As of December 31, 2008 and 2007, the PBO related to these benefits is approximately $1,116 and $1,104, respectively. The medical inflation rate used in 2008 to determine the PBO of these benefits was 7.0% in Mexico, 5.0% in Puerto Rico, 5.0% in the United States and 7.0% in the United Kingdom. Under MFRS D-3, workforce reductions previously mentioned generated events of settlement and curtailment of obligations in several post-retirement benefits; therefore, changes in plan liabilities and proportional parts of prior services and actuarial results pending to be amortized were recognized in the income statement for the period, which represented a gain of approximately $15.

### Other employee benefits

In addition, in some countries, CEMEX has self-insured health care benefits plans for its active employees, which are managed on cost plus fee arrangements with major insurance companies or provided through health maintenance organizations. As of December 31, 2008 and 2007, in certain plans, CEMEX has established stop-loss limits for continued medical assistance derived from a specific cause (e.g., an automobile accident, illness, etc.) ranging from US$23 thousand dollars to US$140 thousand dollars; while in other plans, CEMEX has established stop-loss limits per employee regardless of the number of events ranging from US$350 thousand to US$2 million. In theory, there is a risk that all employees qualifying for health care benefits may require medical services simultaneously; in that case, the contingency for CEMEX would be significantly larger. However, this scenario while possible is remote. The amount expensed for the years ended December 31, 2008, 2007 and 2006 through self-insured health care benefits was approximately US$100 ($1,126), US$99 ($1,081) and US$57 ($637), respectively.

## 14. Income taxes

### A) Income taxes

As mentioned in note 2O, CEMEX determines current and deferred income taxes. The amounts for income taxes included in the income statement for the years ended December 31, 2008, 2007 and 2006 are summarized as follows:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| **Current income taxes** | | | |
| From Mexican operations | $ (2,793) | (1,649) | 57 |
| From foreign operations | (4,969) | (3,574) | (4,497) |
| | (7,762) | (5,223) | (4,440) |
| **Deferred income taxes** | | | |
| From Mexican operations | 5,990 | (357) | 2,331 |
| From foreign operations | 25,334 | 784 | (3,589) |
| | 31,324 | 427 | (1,258) |
| | $ 23,562 | (4,796) | (5,698) |

As of December 31, 2008, consolidated tax loss and tax credits carryforwards maturities are as follows:

| | Amount of carryforwards |
|---|---|
| 2009 | $ 2,614 |
| 2010 | 1,852 |
| 2011 | 992 |
| 2012 | 38,368 |
| 2013 and thereafter | 149,967 |
| | $ 193,793 |

## B) Deferred income taxes

The valuation method for deferred income taxes is detailed in note 2O. Deferred income taxes for the period represent the difference, in nominal amount terms, between the balances of deferred income at the beginning and the end of the period. Deferred income tax assets and liabilities relating to different tax jurisdictions are not offset. As of December 31, 2008 and 2007, the income tax effects of the main temporary differences that generate the consolidated deferred income tax assets and liabilities are presented below:

| | | 2008 | 2007 |
|---|---|---|---|
| **Deferred tax assets:** | | | |
| Tax loss carryforwards and other tax credits | $ | 55,488 | 31,730 |
| Accounts payable and accrued expenses | | 13,616 | 4,943 |
| Deferred charges, net | | 6,374 | 1,382 |
| Others | | 719 | 689 |
| Total deferred tax assets | | 76,197 | 38,744 |
| Less – Valuation allowance | | (27,194) | (21,093) |
| Net deferred tax assets | | 49,003 | 17,651 |
| **Deferred tax liabilities:** | | | |
| Property, machinery and equipment | | (53,215) | (62,202) |
| Investments and other assets | | (8,285) | (710) |
| Deferred credits | | (2,261) | (3,403) |
| Others | | (2,381) | (867) |
| Total deferred tax liabilities | | (66,142) | (67,182) |
| Net deferred tax liability | $ | (17,139) | (49,531) |

Changes to the consolidated valuation allowance of deferred tax assets in 2008 and 2007 are as follows:

| | | 2008 | 2007 |
|---|---|---|---|
| Balance at the beginning of the period | $ | (21,093) | (14,690) |
| Increases to the allowance | | (5,652) | (10,289) |
| Cancellations | | 1,571 | 3,421 |
| Translation effects | | (2,020) | (681) |
| Restatement effect | | – | 1,146 |
| Balance at the end of the period | $ | (27,194) | (21,093) |

The change in consolidated deferred income taxes for the period in 2008, 2007 and 2006, is as follows:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Deferred income tax charged to the income statement | $ 31,324 | 427 | (1,258) |
| Deferred income tax of the period in stockholders' equity 1 | (362) | (427) | (641) |
| Change in deferred income tax for the period | $ 30,962 | – | (1,899) |

1 The change in stockholders' equity for the period includes a debit $920 related to the initial effect of deferred charges related to investment in associates, recognized within "Retained earnings," and a credit of $558 related to the deferred tax effect of items directly recognized in stockholders' equity.

The change for the period excludes $1,430 related to the reclassification of the deferred tax liability of CEMEX's operations in Venezuela, which were reclassified to the caption of "Non-current accounts receivable and other assets" (note 8B).

CEMEX considers that sufficient taxable income will be generated to realize the tax benefits associated with the deferred income tax assets and the tax loss carryforwards, prior to their expiration. Nevertheless, a valuation allowance on tax loss carryforwards that has been determined for the amount that is estimated may not be recoverable in the future. In the event that present conditions change, and it is determined that future operations would not generate sufficient taxable income, the valuation allowance on deferred tax assets would be increased against the income statement.

CEMEX, S.A.B de C.V has not provided any deferred tax liability for the undistributed earnings generated by its subsidiaries, recognized under the equity method, considering that such undistributed earnings are expected to be reinvested, not generating income tax in the foreseeable future (note 15C). Likewise, CEMEX does not recognize a deferred income tax liability related to its investments in subsidiaries and interests in joint ventures, considering that CEMEX controls the reversal of the temporary differences arising from these investments.

### C) Effective tax rate

Differences between the financial reporting and the corresponding tax basis of assets and liabilities and the different IT rates and laws applicable to CEMEX, among other factors, give rise to permanent differences between the approximate statutory tax rate and the effective tax rate presented in the consolidated income statements, which in 2008, 2007 and 2006 are as follows:

| | 2008 % | 2007 % | 2006 % |
|---|---|---|---|
| Approximate consolidated statutory tax rate | (28.0) | 28.0 | 29.0 |
| Non-taxable dividend income | (16.7) | (3.9) | (18.2) |
| Other non-taxable income 1 | (35.0) | (12.9) | (3.8) |
| Expenses and other non-deductible items | 27.5 | 9.3 | 13.4 |
| Non-taxable sale of marketable securities and fixed assets | (7.7) | (2.7) | (3.5) |
| Difference between book and tax inflation | 8.6 | (0.1) | (1.4) |
| Impairment losses | (24.1) | – | – |
| Foreign exchange fluctuations 2 | (40.5) | (2.5) | (4.1) |
| Others | 5.0 | (0.1) | 4.9 |
| Effective consolidated tax rate | (110.9) | 15.1 | 16.3 |

1 Includes the effects of the different income tax rates in the countries where CEMEX operates.

2 Includes the effects of foreign exchange fluctuations recognized as a translation effect (note 15B).

## 15. Stockholders' equity

The carrying amounts of consolidated stockholders' equity as of December 31, 2008 and 2007, exclude investment in shares of CEMEX, S.A.B. de C.V. held by subsidiaries, which implied a reduction to majority interest stockholders' equity of $6,354 (589,238,041 CPOs) in 2008, $6,366 (569,671,633 CPOs) in 2007 and $6,410 (559,984,409 CPOs) in 2006. This reduction is included within "Other equity reserves."

### A) Common stock

As of December 31, 2008 and 2007, the common stock of CEMEX, S.A.B. de C.V. was as follows:

| | 2008 | | 2007 | |
|---|---|---|---|---|
| Shares 1 | Series A 2 | Series B 3 | Series A 2 | Series B 3 |
| Subscribed and paid shares | 16,726,263,082 | 8,363,131,541 | 16,157,281,752 | 8,078,640,876 |
| Treasury shares 4 | 432,036,438 | 216,018,219 | 581,451,054 | 290,725,527 |
| Unissued shares authorized for stock option programs | 424,206,326 | 212,103,163 | 425,224,094 | 212,612,047 |
| | 17,582,505,846 | 8,791,252,923 | 17,163,956,900 | 8,581,978,450 |

1 13,068,000,000 shares in both years relate to the fixed portion and 13,305,758,769 in 2008 and 12,677,935,350 in 2007 to the variable portion.

2 Series "A" or Mexican shares must represent at least 64% of CEMEX's capital stock.

3 Series "B" or free subscription shares must represent at most 36% of CEMEX's capital stock.

4 In both years, includes the shares issued as stock dividends that were not subscribed by stockholders that elected to receive the cash dividend.

On April 24, 2008, the annual ordinary stockholders' meeting approved: (i) a reserve for share repurchases of up to $6,000 (nominal); (ii) an increase in the variable common stock through the capitalization of retained earnings of up to $7,500 (nominal amount), issuing up to 1,500 million shares, equivalent to 500 million CPOs, based on a subscription price of $23.92 pesos (nominal amount) per CPO or instead, stockholders could have chosen to receive a cash dividend of US$0.0835 per CPO, or approximately $0.8677 pesos (nominal amount) for each CPO, considering the exchange rate of *Banco de México* on May 29, 2008 of $10.3925 pesos per 1 dollar. As a result, shares equivalent to approximately 284 millions of CPOs were subscribed and paid, representing an increase in common stock of $2 and additional paid-in capital of $6,792, considering a nominal value of $0.00833 pesos (nominal amount) per CPO, while an approximate cash dividend payment was made for approximately $214 (nominal amount); and (iii) the cancellation of the corresponding shares held in the CEMEX's treasury.

On April 26, 2007, the annual ordinary stockholders' meeting approved: (i) a reserve for share repurchases of up to $6,000 (nominal amount); (ii) an increase in the variable common stock through the capitalization of retained earnings of up to $7,889 (nominal amount), issuing shares as a stock dividend for up to 1,440 million shares, equivalent to 480 million CPOs, based on a price of approximately $32.75 pesos (nominal amount) per CPO or instead, stockholders could have chosen to receive a cash dividend of US$0.0745 for each CPO, or approximately $0.8036 pesos (nominal amount) for each CPO, considering the exchange rate of *Banco de México* on May 31, 2007 of $10.7873 pesos per 1 dollar. As a result, shares equivalent to approximately 189 million CPOs were issued, representing an increase in common stock of $2 and additional paid-in capital of $6,397, considering a nominal value of $0.00833 pesos (nominal amount) per CPO, while an approximate cash dividend payment was made for approximately $140 (nominal); and (iii) the cancellation of the corresponding shares held in CEMEX's treasury.

The CPOs issued pursuant to the exercise of options under the "fixed program" (note 16A) generated additional paid-in capital of approximately $4 and $2, in 2008 and 2007, respectively, and increased the number of shares outstanding.

### B) Other equity reserves

As of December 31, 2008 and 2007, the balance of other equity reserves is summarized as follows:

| | | 2008 | 2007 |
|---|---|---|---|
| Cumulative translation effect and deficit in equity restatement, net **1** | $ | 35,084 | (91,290) |
| Treasury shares | | (6,354) | (6,366) |
| Cumulative initial deferred income tax effects **2** | | – | (6,918) |
| | $ | 28,730 | (104,574) |

**1** The results for holding non-monetary assets as of December 31, 2007 were reclassified to "Retained earnings" as a result of the adoption of MFRS B-10 (note 2).

**2** Likewise, as a result of the adoption of new MFRS D-4, the cumulative initial effect of deferred taxes as of December 31, 2007 was reclassified to "Retained earnings."

For the years ended December 31, 2008, 2007 and 2006, the translation effect included in the statement of changes in stockholders' equity is detailed as follows:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Foreign currency translation adjustment **1** | $ 106,190 | 3,186 | 5,904 |
| Foreign exchange fluctuations from debt **2** | (9,407) | (400) | (580) |
| Foreign exchange fluctuations from intercompany balances **3** | (65,796) | 141 | (1,993) |
| | $ 30,987 | 2,927 | 3,331 |

**1** These effects refer to the result from the translation of the financial statements of foreign subsidiaries.

**2** Generated by foreign exchange fluctuations over a notional amount of debt in CEMEX, S.A.B. de C.V. associated with the acquisition of foreign subsidiaries and designated as hedge of the net investment in foreign subsidiaries. The average amount of such debt was approximately US$3,656 in 2008, US$2,188 in 2007 and US$1,873 in 2006.

**3** Refers to foreign exchange fluctuations arising from balances of related parties in foreign currencies that are of a long-term investment nature considering that their liquidation is not anticipated in the foreseeable future, of which a loss of $4,857 in 2008 was recognized in CEMEX, S.A.B. de C.V.

### C) Retained earnings

As a result of reclassifications and cumulative initial effects from the adoption of new MFRS beginning on January 1, 2008 (note 2), the balance of retained earnings decreased in an aggregate amount of $107,843. Considering this, as of December 31, 2008 and 2007, retained earnings include $94,262 and $172,409, respectively, of earnings generated by subsidiaries and associates, that are not available to be paid as dividends by CEMEX until these entities distribute such amounts to CEMEX and include a share repurchase reserve in the amount of $6,000 in 2008 and $6,266 in 2007.

Net income for the year is subject to a 5% allocation towards a legal reserve until such reserve equals one fifth of the common stock. As of December 31, 2008, the legal reserve amounted to $1,804.

### D) Minority interest and perpetual debentures

#### Minority interest

Minority interest represents the share of minority stockholders in the results and equity of consolidated subsidiaries. As of December 31, 2008 and 2007, minority interest amounts to approximately $5,080 and $7,515, respectively.

#### Perpetual debentures

As of December 31, 2008 and 2007, consolidated balance sheets include approximately US$3,020 ($41,495) and US$3,065 ($33,470), respectively, representing the notional amount of perpetual debentures. These debentures have no fixed maturity date and do not represent a contractual payment obligation for CEMEX. Based on their characteristics, these debentures issued entirely by Special Purpose Vehicles ("SPVs") qualify as equity instruments and are classified within minority interest as they were issued by consolidated entities, and considering that there is no contractual obligation to deliver cash or any other financial asset, the debentures do not have any maturity date, meaning that they were issued to perpetuity, and CEMEX has the unilateral right to defer indefinitely the payment of interest due on the debentures. The definition of the debentures as equity instruments was made under applicable IFRS, which were applied to these transactions in compliance with the supplementary application of IFRS in Mexico. Issuance costs, as well as interest expense, which is accrued based on the principal amount of the perpetual debentures, are included within "Other equity reserves" and represented expenses of approximately $2,596 in 2008, $1,847 in 2007 and $152 in 2006. The different SPVs were established solely for purposes of issuing the perpetual debentures and are included in CEMEX's consolidated financial statements.

As of December 31, 2008, CEMEX's perpetual debentures are as follows:

| Issuer | Issuance Date | Nominal Amount | Repurchase Option | Interest Rate |
|---|---|---|---|---|
| C10-EUR Capital (SPV) Ltd. | May 2007 | €730 | Tenth anniversary | 6.3% |
| C8 Capital (SPV) Ltd. | February 2007 | US$750 | Eight anniversary | 6.6% |
| C5 Capital (SPV) Ltd. | December 2006 | US$350 | Fifth anniversary | 6.2% |
| C10 Capital (SPV) Ltd. | December 2006 | US$900 | Tenth anniversary | 6.7% |

As mentioned in note 11C, there are derivative instruments associated with the perpetual debentures, through which CEMEX changes the risk profile associated with interest rates and foreign exchange rates in respect of the debentures from the U.S. dollar and euro to the Japanese yen.

## 16. Executive stock option programs

CEMEX granted to a group of executives a long-term compensation scheme through which such executives receive cash bonuses, recognized in the operating results, which are used by the executives to acquire CPOs in the market. The expense recognized through the income statement during 2008, 2007 and 2006 was $725, $645 and $431, respectively. The fair value of CPOs at acquisition date equals the cash bonuses. Pursuant to an agreement between CEMEX and the executives, the acquired CPOs are placed in an executives' owned trust to comply with a restriction for sale period of 4 years, which vests up to 25% at the end of each year.

As mentioned in note 2U, in connection with its "equity" programs, in which new shares are issued through the exercise of options, CEMEX determines the fair value of the awards as of the grant date, and recognizes such fair value through earnings over the options' vesting period. Likewise, in connection with its "liability" instruments, comprised by those awards in which CEMEX incurs an obligation by committing to pay the executive, through the exercise of the option, an amount in cash or in other financial assets, CEMEX determines the fair value of the awards at each reporting date, recognizing the changes in valuation through the income statement. CEMEX's outstanding options except for those of its "Fixed program" represent liability instruments.

The information related to options granted in respect of CEMEX, S.A.B. de C.V. shares is as follows:

| Options | Fixed program (A) | Variable program (B) | Restricted program (C) | Special program (D) |
|---|---|---|---|---|
| Options at the beginning of 2007 | 949,704 | 1,555,114 | 15,601,673 | 1,229,953 |
| **Changes in 2007:** | | | | |
| Options cancelled and adjustments | 928 | – | – | – |
| Options exercised | (52,162) | (178,767) | (579,401) | (384,529) |
| Options at the end of 2007 | 898,470 | 1,376,347 | 15,022,272 | 845,424 |
| **Changes in 2008:** | | | | |
| Options cancelled and adjustments | (63,352) | – | – | – |
| Options exercised | (87,873) | (17,427) | – | (99,425) |
| Options at the end of 2008 | 747,245 | 1,358,920 | 15,022,272 | 745,999 |
| Underlying CPOs **1** | 4,191,934 | 6,845,735 | 67,769,976 | 14,919,980 |
| | | | | |
| **Exercise prices:** | | | | |
| Options outstanding at the beginning of 2008 **1, 2** | $7.02 | US$1.43 | US$2.00 | US$1.34 |
| Options exercised in the year **1, 2** | $7.10 | US$1.18 | – | US$1.33 |
| Options outstanding at the end of 2008 **1, 2** | $6.72 | US$1.43 | US$2.00 | US$1.35 |
| | | | | |
| **Average useful life of options:** | 0.8 years | 3.3 years | 6.0 years | 4.7 years |
| **Number of options per exercise price:** | 266,385 – $4.91 | 886,170 – US$1.5 | 15,022,272– US$2.0 | 86,326 – US$1.1 |
| | 138,168 – $6.53 | 141,679 – US$1.6 | – | 125,345 – US$1.4 |
| | 148,964 – $7.97 | 67,295 – US$1.3 | – | 162,632 – US$1.0 |
| | 193,728 – $8.39 | 205,034 – US$1.2 | – | 257,291 – US$1.4 |
| | – | 58,742 – US$1.4 | – | 114,405 – US$1.9 |
| **Percent of options fully vested:** | 100% | 100% | 100% | 93.8% |

**1** Exercise prices and the number of underlying CPOs are technically adjusted for the dilutive effect of stock dividends.

**2** Weighted average exercise prices per CPO. Prices include the effects of the stock split detailed in note 15A.

### A) Fixed program

From June 1995 through June 2001, CEMEX granted stock options with a fixed exercise price in pesos ("fixed program"), equivalent to the market price of the CPO at the grant date and with tenure of 10 years. The employees' option rights vested up to 25% annually during the first 4 years after having been granted.

### B) Variable program

These programs started in November 2001, through an exchange of fixed program options, with exercise prices denominated in dollars increasing annually at a 7% rate.

### C) Restricted program

These programs started in February 2004 through a voluntary exchange of options mainly from the variable program. These options have an exercise price denominated in dollars which, depending on the program, increase annually at a 5.5% rate or at a 7% rate. Executives' gains under these options are settled in the form of CPOs, which are restricted for sale for an approximate period of 4 years from the exercise date.

### D) Special program

From June 2001 through June 2005, CEMEX's subsidiary in the United States granted to a group of its employees a stock option program to purchase CEMEX ADSs. The options granted have a fixed exercise price denominated in dollars and tenure of 10 years. The employees' option rights vested up to 25% annually after having been granted. The option exercises are hedged using ADSs currently owned by subsidiaries, which increases stockholders' equity and the number of shares outstanding. The amounts of these ADS programs are presented in terms of equivalent CPOs (ten CPOs represent one ADS).

### Other programs

As of December 31, 2008 and 2007, CEMEX's subsidiary in Ireland has an outstanding stock option program in its own shares over 554,029 and 733,024 shares, respectively, with an average exercise price per share of approximately €0.97 and €1.30. As of December 31, 2008 and 2007, the market price per share of this subsidiary was €0.20 and €1.60, respectively.

### Fair value of options, accounting recognition and options' hedging activities

### Valuation of options at fair value and accounting recognition

All options of programs that qualify as liability instruments are valued at their estimated fair value as of the financial statements date, recognizing changes in valuations in the income statement. Upon adoption of IFRS 2 in 2005, CEMEX recognized a cost of approximately $1,172 ($1,017 net of deferred income tax). Changes in the provision for the executive stock option programs for the years ended December 31, 2008 and 2007 are as follows:

| | | Restricted programs | Variable program | Special program | Total |
|---|---|---|---|---|---|
| Provision as of December 31, 2006 | $ | 1,726 | 230 | 686 | 2,642 |
| Net revenue in current period results | | (643) | (75) | (257) | (975) |
| Estimated decrease from exercises of options | | (40) | (19) | (99) | (158) |
| Foreign currency translation effect | | (116) | (16) | (47) | (179) |
| Provision as of December 31, 2007 | | 927 | 120 | 283 | 1,330 |
| Net revenue in current period results | | (1,055) | (129) | (353) | (1,537) |
| Estimated decrease from exercises of options | | – | 1 | 29 | 30 |
| Foreign currency translation effect | | 239 | 31 | 73 | 343 |
| Provision as of December 31, 2008 | $ | 111 | 23 | 32 | 166 |

The options' fair values were determined through the binomial option-pricing model. As of December 31, 2008 and 2007, the most significant assumptions used in the valuations are as follows:

| Assumptions | 2008 | 2007 |
|---|---|---|
| Expected dividend yield | 10.4% | 3.7% |
| Volatility | 35% | 35% |
| Interest rate | 1.8% | 3.7% |
| Weighted average remaining tenure | 5.3 years | 5.8 years |

### Options hedging activities

As of December 31, 2007, CEMEX had a forward contract over the price of 47 million CPOs to hedge executive stock options. During 2008, the hedge was increased to approximately 81 million CPOs with a notional amount of US$206. In October 2008, the anticipated settlement of these contracts arose as a result of the significant decrease in the price of the CPO, generating a loss of approximately US$153 ($2,102) recognized in the results for the period.

## 17. Selected financial information by geographic operating segment

Operating segments are defined as the components of an entity oriented to the production and sale of goods and services, which are subject to risks and benefits different from those associated with other business segments. CEMEX operates principally in the construction industry segment through the production, distribution, marketing and sale of cement, ready-mix concrete and aggregates.

CEMEX operates geographically on a regional basis. Each regional manager supervises and is responsible for all the business activities undergoing in the countries comprising the region. These activities refer to the production, distribution, marketing and sale of cement, ready-mix concrete and aggregates. The country manager, who is one level below the regional manager in the organizational structure, reports to the regional manager the operating results of the country manager's business unit, including all the operating sectors. CEMEX's management internally evaluates the results and performance of each country and region for decision-making purposes, following a vertical integration approach. According to this approach, in the daily operations, management allocates economic resources on a country basis rather than on an operating component basis.

The main indicator used by CEMEX's management to evaluate the performance of each country is operating EBITDA, which CEMEX defines as operating income plus depreciation and amortization. This indicator, which is presented in the selected financial information by geographic operating segment, is consistent with the information used by CEMEX's management for decision-making purposes. The accounting policies applied to determine the financial information by geographic operating segment are consistent with those described in note 2. CEMEX recognizes sales and other transactions between related parties based on market values.

Selected financial information of the income statement by geographic operating segment for the years ended December 31, 2008, 2007 and 2006 is as follows:

| 2008 | Net sales (including related parties) | Related parties | Consolidated net sales | Operating income (loss) | Operating depreciation and amortization | Operating EBITDA |
|---|---|---|---|---|---|---|
| **North America** | | | | | | |
| Mexico | $ 42,856 | (1,221) | 41,635 | 14,254 | 1,880 | 16,134 |
| United States | 52,040 | – | 52,040 | (111) | 7,950 | 7,839 |
| **Europe** 2 | | | | | | |
| Spain | 17,493 | (306) | 17,187 | 3,883 | 883 | 4,766 |
| United Kingdom | 19,225 | – | 19,225 | (801) | 986 | 185 |
| Rest of Europe | 49,819 | (1,332) | 48,487 | 3,781 | 2,833 | 6,614 |
| **Central and South America and the Caribbean** 3 | | | | | | |
| Venezuela | 4,443 | (157) | 4,286 | 958 | 392 | 1,350 |
| Colombia | 6,667 | (3) | 6,664 | 2,235 | 735 | 2,970 |
| Rest of Central and South America and the Caribbean | 13,044 | (1,267) | 11,777 | 2,622 | 401 | 3,023 |
| **Africa and Middle East** 4 | | | | | | |
| Egypt | 5,219 | – | 5,219 | 2,104 | 240 | 2,344 |
| Rest of Africa and Middle East | 6,831 | – | 6,831 | 494 | 271 | 765 |
| **Asia and Australia** 5 | | | | | | |
| Australia | 17,536 | – | 17,536 | 2,364 | 577 | 2,941 |
| Philippines | 2,928 | (256) | 2,672 | 711 | 283 | 994 |
| Rest of Asia | 2,626 | – | 2,626 | 27 | 117 | 144 |
| **Others** 6 | 12,362 | (5,346) | 7,016 | (4,637) | 3,316 | (1,321) |
| Total Consolidated | $ 253,089 | (9,888) | 243,201 | 27,884 | 20,864 | 48,748 |

| 2007 | Net sales (including related parties) | Related parties | Consolidated net sales | Operating income (loss) | Operating depreciation and amortization | Operating EBITDA |
|---|---|---|---|---|---|---|
| **North America** 1 | | | | | | |
| Mexico | $ 41,814 | (816) | 40,998 | 12,549 | 1,869 | 14,418 |
| United States | 54,607 | – | 54,607 | 5,966 | 6,848 | 12,814 |
| **Europe** 2 | | | | | | |
| Spain | 23,781 | (205) | 23,576 | 6,028 | 889 | 6,917 |
| United Kingdom | 22,432 | (1) | 22,431 | (446) | 1,130 | 684 |
| Rest of Europe | 47,100 | (1,344) | 45,756 | 3,281 | 2,033 | 5,314 |
| **Central and South America and the Caribbean** 3 | | | | | | |
| Venezuela | 7,317 | (494) | 6,823 | 1,971 | 832 | 2,803 |
| Colombia | 6,029 | – | 6,029 | 2,037 | 413 | 2,450 |
| Rest of Central and South America and the Caribbean | 10,722 | (727) | 9,995 | 1,975 | 839 | 2,814 |
| **Africa and Middle East** 4 | | | | | | |
| Egypt | 3,723 | – | 3,723 | 1,534 | 232 | 1,766 |
| Rest of Africa and Middle East | 4,666 | – | 4,666 | (51) | 117 | 66 |
| **Asia and Australia** 5 | | | | | | |
| Australia | 8,633 | – | 8,633 | 1,177 | 306 | 1,483 |
| Philippines | 3,173 | (405) | 2,768 | 851 | 304 | 1,155 |
| Rest of Asia | 2,068 | – | 2,068 | 33 | 83 | 116 |
| **Others** 6 | 17,872 | (13,276) | 4,596 | (4,457) | 1,516 | (2,941) |
| Total Consolidated | $ 253,937 | (17,268) | 236,669 | 32,448 | 17,411 | 49,859 |

| 2006 | Net sales (including related parties) | Related parties | Consolidated net sales | Operating income (loss) | Operating depreciation and amortization | Operating EBITDA |
|---|---|---|---|---|---|---|
| **North America** | | | | | | |
| Mexico | $ 42,577 | (1,052) | 41,525 | 13,210 | 1,822 | 15,032 |
| United States | 48,911 | (368) | 48,543 | 10,092 | 3,537 | 13,629 |
| **Europe** 2 | | | | | | |
| Spain | 21,834 | (207) | 21,627 | 5,637 | 864 | 6,501 |
| United Kingdom | 23,854 | (18) | 23,836 | 154 | 1,413 | 1,567 |
| Rest of Europe | 44,691 | (894) | 43,797 | 2,220 | 2,536 | 4,756 |
| **Central and South America and the Caribbean** 3 | | | | | | |
| Venezuela | 6,217 | (721) | 5,496 | 1,799 | 587 | 2,386 |
| Colombia | 4,206 | (2) | 4,204 | 1,138 | 398 | 1,536 |
| Rest of Central and South America and the Caribbean | 9,046 | (285) | 8,761 | 1,322 | 698 | 2,020 |
| **Africa and Middle East** 4 | | | | | | |
| Egypt | 3,577 | – | 3,577 | 1,475 | 225 | 1,700 |
| Rest of Africa and Middle East | 4,794 | – | 4,794 | 120 | 89 | 209 |
| **Asia** 5 | | | | | | |
| Philippines | 2,620 | (464) | 2,156 | 726 | 220 | 946 |
| Rest of Asia | 1,694 | – | 1,694 | (62) | 46 | (16) |
| **Others** 6 | 20,134 | (16,377) | 3,757 | (3,326) | 1,526 | (1,800) |
| Total Consolidated | $ 234,155 | (20,388) | 213,767 | 34,505 | 13,961 | 48,466 |

All significant balances and transactions between related parties have been eliminated in the preparation of the selected financial statements by operating geographic segments. As of December 31, 2008 and 2007, information is as follows:

| December 31, 2008 | | Investments in associates | Other segment assets | Total assets | Total liabilities | Net assets by segment | Capital expenditures |
|---|---|---|---|---|---|---|---|
| **North America** | | | | | | | |
| Mexico | $ | 731 | 64,967 | 65,698 | 11,805 | 53,893 | 5,422 |
| United States | | 3,573 | 274,199 | 277,772 | 34,038 | 243,734 | 4,265 |
| **Europe 2** | | | | | | | |
| Spain | | 288 | 61,277 | 61,565 | 23,041 | 38,524 | 2,037 |
| United Kingdom | | 443 | 37,437 | 37,880 | 16,929 | 20,951 | 1,492 |
| Rest of Europe | | 911 | 60,664 | 61,575 | 18,154 | 43,421 | 5,345 |
| **Central and South America and the Caribbean 3** | | | | | | | |
| Venezuela | | – | – | – | – | – | 57 |
| Colombia | | – | 10,538 | 10,538 | 4,206 | 6,332 | 220 |
| Rest of Central and South America and the Caribbean | | 26 | 21,741 | 21,767 | 4,773 | 16,994 | 1,663 |
| **Africa and Middle East 4** | | | | | | | |
| Egypt | | – | 9,271 | 9,271 | 3,018 | 6,253 | 646 |
| Rest of Africa and Middle East | | – | 11,282 | 11,282 | 3,222 | 8,060 | 280 |
| **Asia and Australia 5** | | | | | | | |
| Australia | | 2,307 | 28,405 | 30,712 | 5,616 | 25,096 | 737 |
| Philippines | | – | 8,821 | 8,821 | 1,698 | 7,123 | 175 |
| Rest of Asia | | – | 2,575 | 2,575 | 648 | 1,927 | 73 |
| **Corporate 6** | | 4,443 | 9,837 | 14,280 | 234,042 | (219,762) | – |
| **Others 6** | | 1,478 | 8,408 | 9,886 | 25,165 | (15,279) | 1,488 |
| Total Consolidated | $ | 14,200 | 609,422 | 623,622 | 386,355 | 237,267 | 23,900 |

| December 31, 2007 | | Investments in associates | Other segment assets | Total assets | Total liabilities | Net assets by segment | Capital expenditures |
|---|---|---|---|---|---|---|---|
| **North America 1** | | | | | | | |
| Mexico | $ | 426 | 60,850 | 61,276 | 14,293 | 46,983 | 4,347 |
| United States | | 642 | 245,941 | 246,583 | 46,330 | 200,253 | 5,411 |
| **Europe 2** | | | | | | | |
| Spain | | 25 | 43,297 | 43,322 | 19,722 | 23,600 | 2,323 |
| United Kingdom | | 473 | 28,149 | 28,622 | 10,680 | 17,942 | 1,451 |
| Rest of Europe | | 837 | 49,164 | 50,001 | 15,404 | 34,597 | 4,212 |
| **Central and South America and the Caribbean 3** | | | | | | | |
| Venezuela | | 231 | 11,284 | 11,515 | 2,542 | 8,973 | 515 |
| Colombia | | – | 9,799 | 9,799 | 3,126 | 6,673 | 163 |
| Rest of Central and South America and the Caribbean | | 22 | 15,863 | 15,885 | 3,085 | 12,800 | 1,178 |
| **Africa and Middle East 4** | | | | | | | |
| Egypt | | – | 6,705 | 6,705 | 1,715 | 4,990 | 298 |
| Rest of Africa and Middle East | | 302 | 5,043 | 5,345 | 1,545 | 3,800 | 684 |
| **Asia and Australia 5** | | | | | | | |
| Australia | | 1,648 | 24,076 | 25,724 | 2,929 | 22,795 | 336 |
| Philippines | | – | 8,034 | 8,034 | 1,902 | 6,132 | 165 |
| Rest of Asia | | – | 2,217 | 2,217 | 246 | 1,971 | 113 |
| **Corporate 6** | | 3,691 | 8,665 | 12,356 | 201,719 | (189,363) | – |
| **Others 6** | | 1,923 | 13,007 | 14,930 | 12,923 | 2,007 | 1,093 |
| Total Consolidated | $ | 10,220 | 532,094 | 542,314 | 338,161 | 204,153 | 22,289 |

Total consolidated liabilities include debt of $258,094 in 2008 and $216,911 in 2007. Of such debt, approximately 30% in 2008 and 34% in 2007 was in the Parent Company, 45% and 47% in Spain, 14% in 2008 and 9% in 2007 in finance Dutch subsidiaries, 4% in both periods in finance companies in the United States and 7% and 6% in other countries, respectively.

The information of net sales by sector and geographic segment for the years ended December 31, 2008, 2007 and 2006 is as follows:

| 2008 | | Cement | Concrete | Aggregates | Others | Eliminations | Net sales |
|---|---|---|---|---|---|---|---|
| **North America** | | | | | | | |
| Mexico | $ | 28,666 | 13,017 | 1,355 | 7,597 | (9,000) | 41,635 |
| United States | | 17,429 | 19,601 | 11,379 | 17,258 | (13,627) | 52,040 |
| **Europe 2** | | | | | | | |
| Spain | | 11,900 | 5,267 | 1,224 | 3,526 | (4,730) | 17,187 |
| United Kingdom | | 3,773 | 7,427 | 6,574 | 8,208 | (6,757) | 19,225 |
| Rest of Europe | | 14,222 | 27,124 | 9,815 | 6,483 | (9,157) | 48,487 |
| **Central and South America and the Caribbean 3** | | | | | | | |
| Venezuela | | 3,046 | 1,398 | 204 | 106 | (468) | 4,286 |
| Colombia | | 4,656 | 2,340 | 450 | 1,159 | (1,941) | 6,664 |
| Rest of Central and South America and the Caribbean | | 10,518 | 3,234 | 249 | 810 | (3,034) | 11,777 |
| **Africa and Middle East 4** | | | | | | | |
| Egypt | | 4,728 | 485 | 39 | 80 | (113) | 5,219 |
| Rest of Africa and Middle East | | – | 5,449 | 799 | 1,263 | (680) | 6,831 |
| **Asia and Australia 5** | | | | | | | |
| Australia | | – | 10,705 | 7,013 | 3,170 | (3,352) | 17,536 |
| Philippines | | 2,919 | – | – | 9 | (256) | 2,672 |
| Rest of Asia | | 791 | 1,533 | 166 | 229 | (93) | 2,626 |
| **Others 6** | | – | – | – | 12,362 | (5,346) | 7,016 |
| Total Consolidated | $ | 102,648 | 97,580 | 39,267 | 62,260 | (58,554) | 243,201 |

## Net sales by sector and geographic segment – continued.

| 2007 | | Cement | Concrete | Aggregates | Others | Eliminations | Net sales |
|---|---|---|---|---|---|---|---|
| **North America 1** | | | | | | | |
| Mexico | $ | 29,223 | 13,617 | 1,126 | 6,746 | (9,714) | 40,998 |
| United States | | 20,477 | 22,675 | 10,674 | 12,230 | (11,449) | 54,607 |
| **Europe 2** | | | | | | | |
| Spain | | 16,006 | 6,873 | 1,561 | 6,379 | (7,243) | 23,576 |
| United Kingdom | | 4,366 | 9,289 | 7,503 | 8,695 | (7,422) | 22,431 |
| Rest of Europe | | 12,531 | 25,663 | 9,499 | 6,695 | (8,632) | 45,756 |
| **Central and South America and the Caribbean 3** | | | | | | | |
| Venezuela | | 5,106 | 2,179 | 246 | 321 | (1,029) | 6,823 |
| Colombia | | 4,312 | 2,223 | 385 | 1,209 | (2,100) | 6,029 |
| Rest of Central and South America and the Caribbean | | 8,551 | 2,674 | 139 | 506 | (1,875) | 9,995 |
| **Africa and Middle East 4** | | | | | | | |
| Egypt | | 3,430 | 294 | – | 32 | (33) | 3,723 |
| Rest of Africa and Middle East | | – | 4,142 | – | 774 | (250) | 4,666 |
| **Asia and Australia 5** | | | | | | | |
| Australia | | – | 5,282 | 3,395 | 1,581 | (1,625) | 8,633 |
| Philippines | | 3,173 | – | – | – | (405) | 2,768 |
| Rest of Asia | | 721 | 1,026 | 151 | 247 | (77) | 2,068 |
| **Others 6** | | – | – | – | 17,872 | (13,276) | 4,596 |
| Total Consolidated | $ | 107,896 | 95,937 | 34,679 | 63,287 | (65,130) | 236,669 |

| 2006 | | Cement | Concrete | Aggregates | Others | Eliminations | Net sales |
|---|---|---|---|---|---|---|---|
| **North America** | | | | | | | |
| Mexico | $ | 30,080 | 12,972 | 670 | 7,381 | (9,578) | 41,525 |
| United States | | 22,441 | 21,118 | 6,252 | 6,539 | (7,807) | 48,543 |
| **Europe 2** | | | | | | | |
| Spain | | 14,802 | 6,407 | 1,359 | 5,556 | (6,497) | 21,627 |
| United Kingdom | | 3,850 | 9,652 | 7,567 | 10,518 | (7,751) | 23,836 |
| Rest of Europe | | 10,567 | 24,217 | 8,830 | 8,914 | (8,731) | 43,797 |
| **Central and South America and the Caribbean 3** | | | | | | | |
| Venezuela | | 4,739 | 1,620 | 167 | 236 | (1,266) | 5,496 |
| Colombia | | 2,991 | 1,544 | 267 | 735 | (1,333) | 4,204 |
| Rest of Central and South America and the Caribbean | | 7,130 | 2,232 | 87 | 388 | (1,076) | 8,761 |
| **Africa and Middle East 4** | | | | | | | |
| Egypt | | 3,336 | 234 | – | 33 | (26) | 3,577 |
| Rest of Africa and Middle East | | – | 3,959 | – | 5,712 | (4,877) | 4,794 |
| **Asia 5** | | | | | | | |
| Philippines | | 2,619 | – | – | 1 | (464) | 2,156 |
| Rest of Asia | | 742 | 703 | 139 | 192 | (82) | 1,694 |
| **Others 6** | | – | – | – | 20,134 | (16,377) | 3,757 |
| Total Consolidated | $ | 103,297 | 84,658 | 25,338 | 66,339 | (65,865) | 213,767 |

Footnotes to the geographic segments tables presented above:

1 In 2007, "United States" includes Rinker's operations in that country for the period of July 1 to December 31, 2007.

2 For the reported periods, the segment "Rest of Europe" refers primarily to operations in Germany, France, Ireland, Czech Republic, Austria, Poland, Croatia, Hungary and Latvia.

3 For the reported periods, this segment includes CEMEX's operations in Costa Rica, Panama, Puerto Rico, the Dominican Republic, Nicaragua, the Caribbean, Guatemala, and small ready-mix concrete operations in Jamaica and Argentina. In August 2008, the Government of Venezuela nationalized CEMEX's operations in that country (note 10A); therefore, operations reported refer to the seven-month period ended July 31, 2008.

4 The segment "Rest of Africa and Middle East" includes the operations in the United Arab Emirates and Israel.

5 In 2007, the segment "Australia" includes Rinker's operations in that country for the six-month period ended December 31, 2007. In addition, for the years reported, the segment "Rest of Asia" includes the operations in Thailand, Bangladesh and Malaysia, and in 2007, Rinker's operations in China for the six-month ended December 31, 2007.

6 These segments refer to: 1) cement trade maritime operations; 2) the subsidiary involved in the development of information technology solutions (Neoris, N.V.); 3) the Parent Company and other corporate entities; and 4) other minor subsidiaries with different lines of business.

## 18. Earnings per share

The amounts considered for calculations in 2008, 2007 and 2006 are the following:

| | | 2008 | 2007 | 2006 |
|---|---|---|---|---|
| **Numerator** | | | | |
| Majority interest net income | $ | 2,278 | 26,108 | 27,855 |
| **Denominator (thousands of shares)** | | | | |
| Weighted average number of shares outstanding | | 22,984,810 | 22,297,264 | 21,552,250 |
| Effect of dilutive instruments – executives' stock options | | 10,337 | 11,698 | 12,500 |
| Effect of dilutive instruments – equity forwards on CEMEX's CPOs | | – | – | 2,379 |
| Potentially dilutive shares | | 10,337 | 11,698 | 14,879 |
| Weighted average number of shares outstanding – diluted | | 22,995,147 | 22,308,962 | 21,567,129 |
| Basic earnings per share ("Basic EPS") | $ | 0.10 | 1.17 | 1.29 |
| Diluted earnings per share ("Diluted EPS") | $ | 0.10 | 1.17 | 1.29 |

Diluted earnings per share reflect the effects of any transactions which have a potentially dilutive effect on the weighted average number of common shares outstanding. The number of potential shares to be diluted in 2008, 2007 and 2006 refer to the additional shares to be issued under the fixed stock option program (note 16A) and in 2006, the dilutive effect of the number of shares resulting from equity forward contracts in CEMEX's own stock, determined under the inverse treasury method.

## 19. Commitments

### A) Guarantees

As of December 31, 2008 and 2007, CEMEX, S.A.B. de C.V. had guaranteed loans of certain subsidiaries for approximately US$1,407 and US$513, respectively.

### B) Pledged assets

As of December 31, 2008 and 2007, there were liabilities amounting to US$76 and US$46, respectively, secured by property, machinery and equipment. In addition, as of December 31, 2008, from the investment in shares of CEMEX, S.A.B. de C.V. held by subsidiaries (note 15), 586,147,722 CPOs as well as CEMEX's investment in Control Administrativo Mexicano, S.A. de C.V. and Cancem, S.A. de C.V. (note 8A) are held in an ownership transferring trust for management and payment, where CEMEX maintains its corporate and property rights, securing the payment of CEMEX, S.A.B. de C.V. debt for an amount of US$250 ($3,435), which includes quarterly amortizations starting in July 2009 and maturing in October 2010. In the event of default, the assets would be sold and the amount applied to such debt.

### C) Commitments

As of December 31, 2008 and 2007, CEMEX had commitments for the purchase of raw materials for an approximate amount of US$194 and US$264, respectively.

During 1999, CEMEX entered into agreements with an international partnership, which built and operated an electrical energy generating plant in Mexico called Termoeléctrica del Golfo ("TEG"). During 2007, another international company replaced the original operator. The agreements establish that CEMEX should purchase the energy generated for a term of not less than 20 years, which started in April 2004. Likewise, CEMEX committed to supply TEG all fuel necessary for its operations, a commitment that has been hedged through a 20-year agreement entered with *Petróleos Mexicanos*. With the change of operator, the term was extended until 2027. Nevertheless, the agreement with *Petróleos Mexicanos* terminates in 2024. Consequently, for the last 3 years of the TEG fuel supply contract, CEMEX intends to purchase the required fuel in the market. CEMEX is not required to make any capital expenditure in the project. For the years ended December 31, 2008, 2007 and 2006, TEG supplied (unaudited) 60.4%, 59.7% and 57.1%, respectively, of CEMEX's electricity needs in Mexico during such years.

CEMEX Ostzement GMBH ("COZ"), CEMEX's subsidiary in Germany, has entered into a long-term energy supply contract with *Vattenfall Europe New Energy* ("VENE"), by means of which VENE is committed to supply energy to the Rüdersdorf plant for a period of 15 years starting on January 1, 2008. Based on the contract, each year, COZ has the option to fix in advance the volume of energy in terms of megawatts ("MW") that it will acquire from VENE, and to adjust the purchase amount once on a monthly and quarterly basis. According to the contract, COZ will acquire 28 MW under the contract in 2008 and 2009, and 23 MW per year until 2013. The contract, which establishes a price mechanism for the energy acquired, based on the price of energy future contracts quoted on the European Energy Exchange, does not require initial investments, and will be liquidated at a future date. Based on its characteristics, this contract qualifies as a financial instrument under MFRS. Nonetheless, considering that this contract is for its own use and CEMEX sells any energy surplus as soon as actual energy requirements are known, regardless of changes in prices, thereby avoiding any intention of trading in energy, such contract is not recognized at its fair value.

In April 2008, Citibank entered into put option transactions on CEMEX's CPOs with a Mexican trust that CEMEX established on behalf of its Mexican pension fund and certain of CEMEX's directors and current and former employees ("the participating individuals"). The transaction was structured with two main components. Under the first component, the trust sold, for the benefit of CEMEX's Mexican pension fund, put options to Citibank in exchange for a premium of approximately US$38. The premium was deposited into the trust and was used to purchase, on a prepaid forward basis, securities that track the performance of the Mexican Stock Exchange. Under the second component, the trust sold, on behalf of the participating individuals, additional put options to Citibank in exchange for a premium of approximately US$38, which was used to purchase prepaid forward CPOs. These prepaid forward CPOs, together with additional CPOs representing an equal amount in U.S. dollars, were deposited into the trust by the participating individuals as security for their obligations, and represent the maximum exposure of the participating individuals under this transaction. The put options gave Citibank the right to require the trust to purchase, in April 2013, approximately 112 million CPOs at a price of US$3.2086 per CPO (120% of initial CPO price in dollars). If the value of the assets held in the trust (28.6 million CPOs and the securities that track the performance of the Mexican Stock Exchange) were insufficient to cover the obligations of the trust, a guarantee would be triggered and CEMEX, S.A.B. de C.V. would be required to purchase in April 2013 the total CPOs at a price per CPO equal to the difference between U.S$3.2086 and the market value of the assets of the trust. The purchase price per CPO in dollars and the corresponding number of CPOs under this transaction are subject to dividend adjustments. As of December 31, 2008, the fair value of the guarantee granted by CEMEX, S.A.B. de C.V. was approximately US$190 ($2,611), an amount that was recognized as a provision against the income statement within "Results from financial instruments." Based on the guarantee, CEMEX, S.A.B. de C.V. was required to deposit approximately US$193 ($2,652) in margin accounts, which according to the agreements with the counterpart, were offset with the obligation, resulting in a net asset of approximately US$3 ($41).

In connection with CEMEX's alliance with Ready Mix USA (note 8A), after the third year of the alliance starting on June 30, 2008, and each year for an approximate 22-year period, Ready Mix USA will have the right but not the obligation, to sell to CEMEX its interest in both entities at a predetermined price, based on the greater of: a) eight times the operating cash flow of the trailing twelve months; b) eight times the average of the companies' operating cash flow for the previous three years; or c) the net book value. CEMEX has not recognized a liability, considering that were the option to be exercised, the fair value of the assets would exceed the cost of the option.

### D) Contractual obligations

As of December 31, 2008 and 2007, CEMEX has the following contractual obligations:

| (U.S. dollars millions) | | 2008 | | | | | 2007 |
|---|---|---|---|---|---|---|---|
| Obligations | | Less than 1 year | 1-3 Years | 3-5 Years | More than 5 Years | Total | Total |
| Long-term debt | US$ | 4,161 | 8,565 | 1,396 | 1,876 | 15,998 | 18,100 |
| Capital lease obligation | | 14 | 10 | 3 | – | 27 | 51 |
| Total debt **1** | | 4,175 | 8,575 | 1,399 | 1,876 | 16,025 | 18,151 |
| Operating leases **2** | | 214 | 339 | 228 | 179 | 960 | 841 |
| Interest payments on debt **3** | | 357 | 566 | 213 | 136 | 1,272 | 2,624 |
| Interest rate derivatives **4** | | 9 | 53 | 5 | 25 | 92 | 407 |
| Pension plans and other benefits **5** | | 164 | 309 | 311 | 825 | 1,609 | 1,925 |
| Inactive derivative financial instruments **6** | | 252 | 30 | 95 | 8 | 385 | – |
| Total contractual obligations | US$ | 5,171 | 9,872 | 2,251 | 3,049 | 20,343 | 23,948 |
| | $ | 71,050 | 135,641 | 30,929 | 41,893 | 279,513 | 261,513 |

**1** The scheduling of debt payments, which includes current maturities, does not consider the effect of any refinancing of debt that may occur during the following years. CEMEX has replaced in the past its long-term obligations for others of similar nature.

**2** The amounts of operating leases have been determined on the basis of nominal cash flows. CEMEX has operating leases, primarily for operating facilities, cement storage and distribution facilities and certain transportation and other equipment, under which annual rental payments are required plus the payment of certain operating expenses. Rental expense was US$198 ($2,239), US$195 ($2,129) and US$178 ($2,085) in 2008, 2007 and 2006, respectively.

**3** For the determination of the future estimated interest payments on the floating rate denominated debt, CEMEX used the interest rates in effect as of December 31, 2008 and 2007.

**4** The estimated cash flows under interest rate derivatives include the approximate cash flows under CEMEX's interest rate swaps and cross currency swap contracts, and represent the net amount between the rate CEMEX pays and the rate received under such contracts. In the determination of the future estimated cash flows, CEMEX used the interest rates applicable under such contracts as of December 31, 2008 and 2007.

**5** Amounts relating to planned funding of pensions and other post-retirement benefits represent estimated annual payments under these benefits for the next 10 years, determined in local currency and translated into U.S. dollars at the exchange rates as of December 31, 2008 and 2007. Future payments include the estimate of new retirees during such future years.

**6** Refers to estimated contractual obligations within positions of inactive derivative financial instruments (note 11D).

## 20. Contingencies

### A) Contingent liabilities resulting from legal proceedings

As of December 31, 2008, CEMEX is involved in various significant legal proceedings, in which it is considered that their resolutions would imply cash outflows or the delivery of other resources owned by CEMEX. As a result, certain provisions have been recognized in the financial statements. Such provisions represent the best estimate of the amounts payable; therefore, CEMEX considers that it will not incur significant expenditure in excess of the amounts previously recorded. The detail of the most significant events is as follows:

- In 2005, through the acquisition of RMC, CEMEX assumed environmental remediation liabilities in the United Kingdom, for which as of December 31, 2008, CEMEX has generated a provision for the net present value of such obligation of approximately £125 (US$182 or $2,506). This environmental remediation liability refers to closed and current landfill sites for the confinement of waste, and expenditure has been assessed and quantified over the period in which the sites have the potential to cause environmental harm, which has been accepted by the regulator as being up to 60 years from the date of closure. The assessed expenditure relates to the costs of monitoring the sites and the installation, repair and renewal of environmental infrastructure.
- In August 2005, Cartel Damages Claims, S.A. ("CDC"), filed a lawsuit in the District Court in Düsseldorf, Germany against CEMEX Deutschland AG, CEMEX's German subsidiary, and other German cement companies. By means of this lawsuit, CDC was seeking approximately €102 (US$143 or $1,959) in respect of damage claims by 28 entities relating to alleged price and quota fixing by German cement companies between 1993 and 2002. CDC is a Belgian company established in the aftermath of the German cement cartel investigation that took place from July 2002 to April 2003 by Germany's Federal Cartel Office, with the purpose of purchasing potential damage claims from cement consumers and pursuing those claims against the cartel participants. During 2006, new alleged claims were assigned to CDC, and the amount of damages being sought by CDC increased to €114 (US$159 or $2,189) plus interest. In February 2007, the District Court in Düsseldorf allowed this procedure. All defendants appealed the resolution, which was dismissed in May 2008 and the lawsuit will proceed at the level of court of first instance. As of September 30, only one defendant had decided to file a complaint before the Supreme Court, a situation that will delay the case in proceeding at the level of first instance to an extent CEMEX cannot asses today. In the meantime, CDC had acquired new assigners and announced an increase in the claim to €131 (US$183 or $2,516). As of December 31, 2008, CEMEX Deutschland AG had accrued liabilities regarding this matter for approximately €20 (US$28 or $384).
- As of December 31, 2008, CEMEX's subsidiaries in the United States have accrued liabilities specifically relating to environmental matters in the aggregate amount of approximately US$43 ($591). The environmental matters relate to: a) in the past, in accordance with industry practices, disposing of various materials, which might be currently categorized as hazardous substances or wastes; and b) the cleanup of sites used or operated by CEMEX, including discontinued operations, regarding the disposal of hazardous substances or waste, either individually or jointly with other parties. Most of the proceedings are in the preliminary stage, and a final resolution might take several years. For purposes of recording the provision, CEMEX's subsidiaries consider that it is probable that a liability has been incurred and the amount of the liability is reasonably estimable, whether or not claims have been asserted, and without giving effect to any possible future recoveries. Based on the information developed to date, CEMEX's subsidiaries do not believe that they will be required to spend significant sums on these matters in excess of the amounts previously recorded. The ultimate cost that might be incurred to resolve these environmental issues cannot be assured until all environmental studies, investigations, remediation work and negotiations with or litigation against potential sources of recovery have been completed.

### B) Other legal proceedings

CEMEX is involved in various legal proceedings which, after considering all the elements of such proceedings, have not required the recognition of accruals since CEMEX considers that the probability of loss is reasonably remote. As of December 31, 2008, the details of the most significant events with a quantification of the potential loss are as follows:

- CEMEX, S.A.B. de C.V. and some of its subsidiaries in Mexico have been notified by the Mexican tax authority of several tax assessments related to different tax periods. Tax assessments are based primarily on investments made in entities incorporated in foreign countries with preferential tax regimes. On April 3, 2007, the Mexican tax authority issued a decree providing for a tax amnesty program, which allows for the settlement of previously issued tax assessments. CEMEX decided to take advantage of the benefits of this program, resulting in the settlement of a significant portion of the existing fiscal tax assessments of prior years. As a result of the program, as of December 31, 2008, CEMEX's total existing tax assessments amount to $49. CEMEX has appealed these tax assessments before the Mexican federal tax court, and the appeals are pending resolution.
- As of December 31, 2008, the Philippine Bureau of Internal Revenue had assessed CEMEX's indirect subsidiaries in the Philippines for deficiency taxes covering prior tax years amounting to approximately 1,994 million Philippine pesos (US$42 or $577). These tax assessments result primarily from disallowed determination of certain tax benefits from 1999 to 2001. The affected companies have appealed the resolutions that have not been favorable. Tax credits are currently on appeal before the Court of Tax Appeals ("CTA"). CEMEX's subsidiaries filed a motion with the CTA, requesting that the court hold CEMEX's subsidiaries not liable for the alleged income tax liabilities. As of December 31, 2008, resolution of the aforementioned motion is still pending. Regardless the procedures before the CTA, the subsidiaries involved decided to apply for, and avail themselves of, the Philippine tax amnesty program for tax credits related to 2005 and prior years. The subsidiaries delivered all the necessary documents and fully paid the amnesty tax according to the implementing regulations. The availment of the amnesty made the subsidiaries immune from tax credits assessed for 2005 and prior years. According to a CTA resolution in a similar case, in view of the taxpayer's compliance with the tax amnesty, the court considered the pending tax assessment case closed and terminated, and the tax deficiencies extinguished.

- In November 2008, AMEC/Zachary, the general contractor for the expansion program in Brooksville, Florida, filed a lawsuit against a subsidiary of CEMEX in the United States, alleging delay damages, seeking an equitable adjustment to the contract and payment of change orders. In its claim, AMEC/Zachary is seeking US$60 ($824) as compensation. CEMEX filed a counterclaim against AMEC/Zachary. At this stage in the proceedings, it is not possible to assess the likelihood of an adverse result or the potential damages which could be borne by CEMEX.

- On July 13, 2007, the Australian Takeovers Panel published a declaration of unacceptable circumstances, which mentioned that CEMEX's May 7, 2007 announcement that stated it would allow Rinker stockholders to retain the final dividend of 0.25 Australian dollar per share constituted a departure from CEMEX's announcement on April 10, 2007 which said that its offer of 15.85 dollars per share was its "best and final offer." The Panel ordered CEMEX to pay compensation of 0.25 Australian dollars per share to Rinker stockholders who sold their shares during the period from April 10 to May 7, 2007, net of any purchases that were made. CEMEX believes that the market was fully informed by its announcement made on April 10, 2007, and notes that the Takeovers Panel has made no finding that CEMEX breached any law. On September 27, the Review Panel issued an order confirming the application of past rulings until further notice pending CEMEX's application for judicial review of the Panel's decision. The hearings in the Federal Court of Australia concluded in May 2008 without a resolution. Although there is insufficient information about the exact amount, CEMEX estimates that the amount it would have to pay if the Panel's orders were affirmed could be approximately 15 millions of Australian dollars (US$11 or $146).

- On January 2, 2007, the Polish Competition and Consumers Protection Office (the "Protection Office") notified CEMEX Polska, a subsidiary in Poland, about the initiation of an antitrust proceeding against all cement producers in the country, which include CEMEX's subsidiaries CEMEX Polska and Cementownia Chelm. The Protection Office alleges that there was an agreement between all cement producers in Poland regarding prices, market quotas and other sales conditions of cement, and that the producers exchanged confidential information, all of which limited competition in the Polish market of cement. On January 22, 2007, CEMEX Polska filed its response to the notification, denying firmly that it had committed the practices listed by the Protection Office, and submitted formal comments and objections gathered during the proceeding, as well as facts supporting its position and proving that its activities were in line with competition law. The Protection Office extended the date of the completion of the antitrust proceeding until December 20, 2008, and it is expected that there will be a further extension due to the fact that in November, the Protection Office delivered a new list of questions regarding the period 1998-2008. According to Polish competition law, the maximum fine could reach up to 10% of the total revenues of the fined company for the calendar year preceding the imposition of the fine. The estimated penalty applicable to the Polish subsidiaries would amount to approximately 118 million Polish zlotys (US$35 or $481). As of the date of these financial statements, CEMEX considers there are no justified grounds to expect fines to be imposed on CEMEX Polska. Nevertheless, at this stage of the proceeding it is not possible for CEMEX to predict that there would not be an adverse result in the investigation.

- In August 2005, a lawsuit was filed against a subsidiary of CEMEX Colombia, claiming that it was liable along with the other members of the *Asociación Colombiana de Productores de Concreto*, or ASOCRETO, a union formed by all the ready-mix concrete producers in Colombia, for the premature distress of the roads built for the mass public transportation system in Bogotá using ready-mix concrete supplied by CEMEX Colombia and other ASOCRETO members. The plaintiffs allege that the base material supplied for the road construction failed to meet the quality standards offered by CEMEX Colombia and the other ASOCRETO members and/or that they provided insufficient or inaccurate information in connection with the product. The plaintiffs seek the repair of the roads and estimate that the cost of such repair will be approximately US$45 ($618). In December 2006, two ASOCRETO officers were formally accused as participants (determiners) in the execution of a state contract without fulfilling all legal requirements thereof. In November 2007, a judge dismissed an annulment petition filed by ASOCRETO's officers. This decision was appealed. On January 21, 2008, CEMEX Colombia was subject to a judicial order, issued by the court, sequestering a quarry called "El Tujuelo", as security for a possible future money judgment to be rendered against CEMEX Colombia in these proceedings. The court determined that in order to lift this attachment and prevent further attachments, CEMEX Colombia was required to deposit with the court in cash 337,800 million of Colombian pesos (US$150 or $2,061), instead of being allowed to post an insurance policy to secure such recovery. CEMEX Colombia asked for reconsideration, and the court allowed CEMEX to present an insurance policy. Nevertheless, CEMEX appealed this decision, in order to reduce the amount of the insurance policy, and also requested that the guarantee be covered by all defendants in the case. The measure does not affect the normal activity of the quarry. At this stage, we are not able to assess the likelihood of an adverse result or the potential damages which could be borne by CEMEX Colombia.

- During 2001, the Ministry of Finance ("MOF") of Taiwan, in response to the claim of five Taiwanese cement producers, initiated a formal anti-dumping investigation involving imported gray Portland cement and clinker from the Philippines and South Korea. In July 2002, the MOF gave notice of a cement and clinker import duty, from imports on South Korea and the Philippines, beginning in July 2002. The imposed tariff was 42% on imports from APO and Solid. In September 2002, these entities appealed the anti-dumping duty before the Taipei High Administrative Council ("THAC"). CEMEX did not appeal this resolution, which became final. The anti-dumping duty order is subject to review by the government after five years following its imposition to verify if conditions of harm to the local industry have changed and, if applicable, the government may revoke the anti-dumping duty. As a result of a request from the defendants in April 2007, the MOF initiated an investigation to evaluate if the order shall continue or be revoked at the end of the fifth year. On May 5, 2008, CEMEX received a resolution from the MOF, stating that the anti-dumping duty imposed on gray Portland cement and clinker imports from the Philippines and South Korea will be terminated starting May 5, 2008.

- In 1990, the United States Department of Commerce imposed an anti-dumping duty order on imports of gray Portland cement and clinker from Mexico. As a result, since that year and until April 3, 2006, CEMEX paid anti-dumping duties for cement and clinker exports to the United States at rates that fluctuated between 37.49% and 80.75% over the transaction amount, and beginning in August 2003, anti-dumping duties were paid at a fixed rate of approximately 52.4 U.S. dollars per ton, which decreased to 32.9 U.S. dollars per ton starting in December, 2004 and to 26.3 U.S. dollars per ton in 2005. In January 2006, the Mexican and the United States governments reached an agreement that brought to an end the dispute over anti-dumping duties on Mexican cement exports to the United States. According to the agreement, restrictions imposed by the United States were eased during a three-year transition period and will be completely eliminated in early 2009, allowing cement from Mexico to enter the U.S. without duties or other limits on volumes. During the transition period, the anti-dumping duty was reduced to 3 U.S. dollars per ton, and imports were subject to volume limitations of up to 3 million tons of Mexican cement per year. This amount may be increased in response to market conditions, subject to a maximum increase per year of 4.5%. During the second year the amount increased 2.7%, while in the third year the amount decreased 3.1%. Quota allocations to entities that import Mexican cement into the U.S. was made on a regional basis. As a result of this agreement, CEMEX received a cash refund associated with the pre-January 2006 anti-dumping duties of approximately US$111 ($1,299) and eliminated a provision of approximately US$65, both of which were recognized in 2006 within "Other expenses, net."

### C) Other contingencies for legal procedures

In addition, there are certain legal proceedings in which a negative resolution for CEMEX may represent the revocation of operating licenses or the assessment of fines, in which case CEMEX would experience a decrease of future revenues, an increase in operating costs or a loss. Nevertheless, as of the date of these financial statements, in some cases, it is not possible to quantify the impact. As of December 31, 2008, the most significant cases are the following:

- Pursuant to amendments to the Mexican income tax law, which became effective on January 1, 2005, Mexican companies with investments in entities incorporated in foreign countries whose income tax liability is less than 75% of the income tax that would be payable in Mexico, are required to pay taxes in Mexico on indirect revenues, such as dividends, royalties, interest, capital gains and rental fees obtained by such foreign entities, provided that the revenues are not derived from entrepreneurial activities in such countries. CEMEX filed two motions in the Mexican federal courts challenging the constitutionality of the amendments. In September 2008, the Supreme Court of Justice ruled the amendments constitutional for tax years 2005 to 2007. Since the Supreme Court's decision does not pertain to an amount of taxes due or other tax obligations, CEMEX will self-assess any taxes due through the submission of amended tax returns. CEMEX has not yet determined the amount of tax or the periods affected. As of December 31, 2008, based on a preliminary estimate, CEMEX believes this amount will not be material, but no assurance can be given that additional analysis will not lead to a different conclusion. If the tax authorities do not agree with CEMEX's self-assessment of the taxes due for past periods, they may assess additional amounts of taxes past due, which may be material and may impact CEMEX cash flows.

- During the period from November 4 to 6, 2008 officers from the European Commission ("EC") assisted by local officials, conducted an unannounced inspection at CEMEX's offices in the United Kingdom and in Germany. It is understood that EC officials carried out unannounced inspections at the premises of other companies in the cement and related products industry in several European Community member states. The EC alleges that CEMEX may have participated in anti-competitive agreements and/or in abusive conduct, in breach of agreements of the EC and/or the European Economic Area. Investigations are extended to several markets in the world, particularly within the European Community. In the event that allegations are substantiated, CEMEX's subsidiaries which operate in the EU may be subject to significant penalties. CEMEX fully cooperated and will continue to cooperate with the EC officials in connection with the inspection.

- In connection with the sale to CEMEX España of non-Venezuelan assets of CEMEX Venezuela, which is detailed in note 10A, on June 13, 2008, the Venezuelan securities authority initiated an administrative proceeding against CEMEX Venezuela, claiming that the company did not sufficiently inform its shareholders and the securities authority in connection with the transfer of the non-Venezuelan assets. The Venezuelan authority determined that CEMEX Venezuela did not comply with its disclosure obligations and imposed fines on the company, which CEMEX considered not to be material and requested that the attorney general's office review the case to determine if such non-disclosure also constituted a crime.

- A Latvian environmental protection organization initiated a court administrative proceeding against the decision made by the Environment State Bureau ("the Bureau") to amend the environmental pollution permit for CEMEX's cement plant in Latvia. On June 5, 2008, the court issued a judgment which revoked the renewal of the permit stating that there was no public inquiry according with regulations. The judgment was appealed by the Bureau and CEMEX before the Court of Appeal and the court will hear the case on February 24, 2009. The appellate procedure will not suspend the operation of the permit which will remain valid throughout the court proceedings, allowing CEMEX to continue its activities. The permit subject to the proceeding was issued for the existing cement line, which will be fully replaced by a new cement line currently under construction.

- CEMEX Construction Materials Florida, LLC (previously Rinker Materials of Florida, Inc.), one of CEMEX's subsidiaries in the United States, holds one federal quarry permit and is the beneficiary of one of ten other federal quarrying permits granted for the Lake Belt area in South Florida, which cover one of CEMEX's largest aggregate quarries in that region. On March 22, 2006, the U.S. District Court for the Southern District of Florida issued a ruling in connection with litigation brought by environmental groups concerning the manner in which the permits were granted. Although not named as a defendant, CEMEX Construction Materials Florida has intervened in the proceedings to protect its interests. The judge ruled that there were deficiencies in the procedures and analysis undertaken by the relevant governmental agencies in connection with the issuance of the permits. The judge remanded the permits to the relevant governmental agencies for further review. The judge also conducted further proceedings to determine the activities to be permitted during the review period. In July 2007, the judge issued a ruling that halted quarrying operations at three non-Rinker quarries. The judge determined to leave in place CEMEX's Lake Belt permits in operations until the government agencies conclude their review. CEMEX Construction Materials Florida and other producers involved have appealed the judge's resolutions. In a May 2008 ruling, the federal appellate court determined that the district court judge did not apply the proper standard of review to the permit issuance decision of the governmental agency, vacated the district court's prior order, and remanded the proceeding to the district court to apply the proper standard of review. This review remains pending before the district court judge. If the Lake Belt permits were ultimately removed or quarrying operations under them restricted, CEMEX would need to source aggregates, to the extent available, from other locations in Florida or import aggregates. This would likely increase CEMEX's operating costs in the United States.

- In April 2006, the cities of Kastela and Solin in Croatia published their respective Master (physical) Plans defining the development zones within their respective municipalities, adversely impacting the mining concession granted to a CEMEX's subsidiary in Croatia, by the Government of such country in September 2005. In May 2006, CEMEX filed several lawsuits in different courts seeking a declaration of its rights and demanding the prohibition of the implementation of the Master Plans. The municipal courts in Kastela and Solin have issued first instance judgments dismissing the possessory actions presented by CEMEX. These resolutions have been appealed. These cases are currently under review by the courts and applicable administrative entities in Croatia, and it is expected that these proceedings will continue for several years before resolution. Meanwhile, the administrative court in Croatia issued a favorable resolution for CEMEX, validating the legality of the mining concession granted by the Government of Croatia. This decision is final. Currently, it is difficult to determine the impact borne by CEMEX as a result of the resolution of the Kastela and Solin litigations.

In addition to the above, as of December 31, 2008, there are various legal proceedings of minor impact that have arisen in the ordinary course of business. These proceedings involve: 1) product warranty claims; 2) claims for environmental damages; 3) indemnification claims relating to acquisitions; 4) claims to revoke permits and/or concessions; and 5) other diverse civil actions. CEMEX considers that in those instances in which obligations have been incurred, CEMEX has accrued adequate provisions to cover the related risks. CEMEX believes these matters will be resolved without any significant effect on its business.

Likewise, as of December 31, 2008, the tax returns submitted by some subsidiaries of CEMEX located in several countries are under ordinary review by the respective tax authorities in the ordinary course of business. CEMEX cannot anticipate if such reviews will result in new tax assessments, which, should any exist, would be appropriately disclosed and/or recognized in the financial statements.

## 21. Related parties

All significant balances and transactions between the entities that constitute the CEMEX group have been eliminated in the preparation of the consolidated financial statements. These balances with related parties result primarily from: (i) the sale and purchase of goods between group entities; (ii) the sale and/or acquisition of subsidiaries' shares within the CEMEX group; (iii) the invoicing of administrative services, rentals, trademarks and commercial name rights, royalties and other services rendered between group entities; and (iv) loans between related parties. Transactions between group entities are conducted on arm's length terms based on market prices and conditions.

The definition of related parties includes entities or individuals outside the CEMEX group, which, pursuant to their relationship with CEMEX, may take advantage of being in a privileged situation. Likewise, this applies to cases in which CEMEX may take advantage of such relationships and obtain benefits in its financial position or operating results. CEMEX's transactions with related parties are executed under market conditions. CEMEX has identified the following transactions between related parties:

- Mr. Bernardo Quintana Isaac, a member of the board of directors at CEMEX, S.A.B. de C.V., is the current chairman of the board of directors of *Empresas ICA, S.A.B. de C.V.* ("Empresas ICA"), and was its chief executive officer until December 31, 2006. Empresas ICA is one of the most important engineering and construction companies in Mexico. In the ordinary course of business, CEMEX extends financing to Empresas ICA in connection with the purchase of CEMEX's products, on the same credit conditions that CEMEX awards to other customers.

- In the past, CEMEX extended loans of varying amounts and interest rates to its board members and top management executives, which were fully paid in 2006. As of December 31, 2008 and 2007, there are no loans between CEMEX and board members or top management executives.

- For the years ended December 31, 2008, 2007 and 2006, the aggregate amount of compensation paid by CEMEX, S.A.B de C.V. and subsidiaries to its board of directors, including alternate directors and top management executives, was approximately US$28 ($314), US$31 ($339) and US$41 ($480), respectively. Of these amounts, approximately US$12 ($134) in 2008, US$14 ($153) in 2007 and US$14 ($164) in 2006, were paid as compensation plus performance bonuses, while approximately US$16 ($179) in 2008, US$17 ($186) in 2007 and US$27 ($316) in 2006, corresponded to payments under the long-term incentive program for the purchase of restricted CPOs.

## 22. Subsequent events

On January 27, 2009, CEMEX and its creditors agreed to extend a portion of its short-term debt, by means of which, considering an exchange rate of $13.74 Mexican pesos per dollar as of December 31, 2008, approximately $27,288 (US$1,986) of such short-term debt will mature in the year 2010 and approximately $14,537 (US$1,058) will mature in the year 2011. The aforementioned is the successful completion of a global refinancing plan announced in December 2008, which intended to: a) negotiate new long-term syndicated facilities to replace existing short-term bilateral credits; b) extend the maturity by one year of a portion of the US$3,000 syndicated loan related to the acquisition of Rinker, which matures in December 2009 and; c) amend the leverage ratio, among other conditions, of certain existing syndicated loan facilities. The last objective was concluded on December 19, 2008 (note 11A).

In January 2009, in connection with the legal proceeding detailed in note 20C related to the review process of CEMEX's extraction permits covering certain aggregates quarries in the Lake Belt area in South Florida, the judge appointed to the case issued an order that removed CEMEX's extraction permits associated with three of such quarries. The order does not limit the processing of the material that has previously been removed from these quarries; consequently, CEMEX's operations will continue for several months. Likewise, the order does not affect the ongoing operations of the other quarries located in the same area or in the state of Florida.

As of February 3, 2009, in connection with the deposits in margin accounts made with financial institutions as of December 31, 2008 which guarantee obligations incurred through derivative financial instruments (note 11B), and that are presented net with CEMEX's liabilities with such counterparties, CEMEX agreed with the financial institutions to the settlement of a portion of the obligations. The counterparts received from CEMEX the instruction to withdraw part of the amounts deposited in such margin accounts for an amount of approximately US$392 ($5,386), of which approximately US$102 ($1,401) refers to active derivative positions (note 11C), while approximately US$290 ($3,985) refers to inactive derivative positions (note 11D).

On February 4, 2009, as part of the strategies implemented to maintain its liquidity, CEMEX announced a plan intended to reduce its debt during 2009 by approximately US$3,600 ($49,464). It is expected that approximately between US$1,700 ($23,358) and US$1,900 ($26,106) of the required resources for this reduction will be obtained from the sale of non-strategic assets in several locations around the world. The pertinent negotiations related to these sales are in different stages of progress (unaudited).

## 23. Main subsidiaries

The main subsidiaries as of December 31, 2008 and 2007, are as follows:

| Subsidiary | Country | % interest 2008 | % interest 2007 |
|---|---|---|---|
| CEMEX México, S. A. de C.V. **1** | Mexico | 100.0 | 100.0 |
| CEMEX España, S.A. **2** | Spain | 99.8 | 99.8 |
| CEMEX Venezuela, S.A.C.A. **3** | Venezuela | – | 75.7 |
| CEMEX, Inc. **4** | United States of America | 100.0 | 100.0 |
| CEMEX (Costa Rica), S.A. | Costa Rica | 99.1 | 99.1 |
| Assiut Cement Company | Egypt | 95.8 | 95.8 |
| CEMEX Colombia S.A. | Colombia | 99.7 | 99.7 |
| Cement Bayano, S.A. | Panama | 99.5 | 99.5 |
| CEMEX Dominicana, S.A. | Dominican Republic | 99.9 | 99.9 |
| CEMEX de Puerto Rico Inc. | Puerto Rico | 100.0 | 100.0 |
| CEMEX France Gestion (S.A.S.) | France | 100.0 | 100.0 |
| CEMEX Australia Pty. Ltd. **4** | Australia | 100.0 | 100.0 |
| CEMEX Asia Holdings Ltd. **5** | Singapore | 100.0 | 100.0 |
| Solid Cement Corporation **5** | Philippines | 100.0 | 100.0 |
| APO Cement Corporation **5** | Philippines | 100.0 | 100.0 |
| CEMEX (Thailand) Co., Ltd. **5** | Thailand | 100.0 | 100.0 |
| CEMEX U.K. | United Kingdom | 100.0 | 100.0 |
| CEMEX Investments Limited | United Kingdom | 100.0 | 100.0 |
| CEMEX Deutschland, AG. | Germany | 100.0 | 100.0 |
| CEMEX Austria plc. | Austria | 100.0 | 100.0 |
| Dalmacijacement d.d. | Croatia | 100.0 | 99.2 |
| CEMEX Czech Operations, s.r.o. | Czech Republic | 100.0 | 100.0 |
| CEMEX Polska sp. Z.o.o. | Poland | 100.0 | 100.0 |
| Danubiusbeton Betonkészítő Kft. | Hungary | 100.0 | 100.0 |
| Readymix PLC. **6** | Ireland | 61.7 | 61.7 |
| CEMEX Holdings (Israel) Ltd. | Israel | 100.0 | 100.0 |
| CEMEX SIA | Latvia | 100.0 | 100.0 |
| CEMEX Topmix LLC, Gulf Quarries LLC, CEMEX Supermix LLC and CEMEX Falcon LLC **7** | United Arab Emirates | 100.0 | 100.0 |

**1** CEMEX México, S.A. de C.V. is the indirect holding company of CEMEX España, S.A. and subsidiaries.

**2** CEMEX España, S.A. is the indirect holding company of all CEMEX's international operations.

**3** CEMEX Venezuela, S.A.C.A. was expropriated by the Government of Venezuela on August 18, 2008 (note 10A).

**4** CEMEX Inc. is the indirect holding company of 100% of the common stock of Rinker Materials LLC's equity, while CEMEX Australia Pty. Ltd. is the holding company of 100% of the common stock of Rinker Group Pty Lt.

**5** Represents CEMEX's indirect interest in the economic benefits of these entities.

**6** Companies listed in the stock exchange of their respective countries.

**7** CEMEX owns 49% of the common stock of these entities and obtains 100% of the economic benefits, through arrangements with other stock holders.

## 24. Notes to parent company-only financial statements

### A. Description of business

CEMEX, S.A.B. de C.V. is a Mexican corporation, a holding company (parent) of entities whose main activities are oriented to the construction industry, through the production, marketing, distribution and sale of cement, ready-mix concrete, aggregates and other construction materials. CEMEX is a public stock corporation with variable capital (S.A.B. de C.V.) organized under the laws of the United Mexican States, or Mexico.

CEMEX, S.A.B. de C.V. was founded in 1906 and was registered with the Mercantile Section of the Public Register of Property and Commerce in Monterrey, N.L., Mexico, on June 11, 1920 for a period of 99 years. In 2002 this period was extended to the year 2100. The shares of CEMEX, S.A.B. de C.V. are listed on the Mexican Stock Exchange as Ordinary Participation Certificates ("CPOs"). Each CPO represents two series "A" shares and one series "B" share of common stock of CEMEX, S.A.B. de C.V. In addition, CEMEX, S.A.B. de C.V. shares are listed on the New York Stock Exchange ("NYSE") as American Depositary Shares or "ADSs" under the symbol "CX." Each ADS represents ten CPOs.

The terms "CEMEX, S.A.B. de C.V." or the "Parent Company" used in these accompanying notes to the financial statements refer to CEMEX, S.A.B. de C.V. without its consolidated subsidiaries. The terms the "Company" or "CEMEX" refer to CEMEX, S.A.B. de C.V. together with its consolidated subsidiaries. The Parent Company-only financial statements under Mexican Financial Reporting Standards were authorized for their issuance by the Company's management on February 6, 2009 and will be submitted for approval in the next shareholders' meeting.

### B. Significant accounting policies

The same accounting policies listed in note 2 to CEMEX S.A.B. de C.V. consolidated financial statements were applied, as applicable, in the preparation of the Parent Company's financial statements. This schedule includes references to other notes to the consolidated financial statements, in those cases in which the information also refers to the Parent Company.

### B.1 Basis of presentation and disclosure

The financial statements are prepared in accordance with Mexican Financial Reporting Standards ("MFRS") issued by the Mexican Board for Research and Development of Financial Reporting Standards ("CINIF"). The MFRS have recognized the effects of inflation on the financial information until December 31, 2007. Changes in inflationary accounting effective as of January 1, 2008 are explained below.

#### Inflationary accounting

Beginning on January 1, 2008, according to new Mexican MFRS B-10, "Inflation Effects" ("MFRS B-10"), inflationary accounting will only be applied in a high-inflation environment, defined by the MFRS B-10 as existing when the cumulative inflation for the preceding three years equals or exceeds 26%. Until December 31, 2007, inflationary accounting was applied to all CEMEX subsidiaries regardless of the inflation level of their respective country. Beginning in 2008, only the financial statements of those subsidiaries whose functional currency corresponds to a country under high inflation will be restated to account for inflation. The designation of a country as a high or low inflation environment takes place at the end of each year and inflation is applied prospectively. As of December 31, 2007, except for Venezuela and Costa Rica, all of CEMEX's subsidiaries operate in low-inflation environment; therefore, restatement of their historical cost financial statements to account for inflation was suspended starting on January 1, 2008.

Beginning in 2008, MFRS B-10 eliminates the restatement amounts of financial statements for the period into constant values as well as the comparative financial statements for prior periods as of the date of the most recent balance sheet. Beginning in 2008, the amounts of the statement of income, statement of cash flow and statement of changes in stockholders' equity are presented in nominal values; meanwhile amount of financial statements for prior years are presented in constant pesos as of December 31, 2007, the last date in which inflationary accounting was applied.

The restatement adjustments as of the date of discontinuing the inflationary accounting should prevail as part of the carrying amount. When moving from a low-inflation to a high-inflation environment, the initial restatement factor should consider the cumulative inflation since the last time inflationary accounting was discontinued.

Upon adoption of new MFRS B-10, on January 1, 2008, the accumulated result for holding non-monetary assets as of December 31, 2007, included within "Deficit in equity restatement" (note 15B), was reclassified to "Retained earnings," representing a decrease in this caption of approximately $97,722.

#### Statement of cash flows

Beginning in 2008, the new MFRS B-2, "Statement of cash flows" ("MFRS B-2"), establishes the incorporation of a new cash flow statement, which presents cash inflows and outflows in nominal currency as part of the basic financial statements, replacing the statement of changes in financial position, which included inflation effects and foreign exchange effects not realized. Under MFRS B-2, only the cash flow statement is presented for the period 2008 and the statement of changes in financial position for the years ended December 31, 2007 and 2006, originally reported as of each year, are presented in constant pesos as of December 31, 2007.

#### Definition of terms

When reference is made to "pesos" or "$," it means Mexican pesos. Except when specific references are made to "earnings per share" and "prices per share," the amounts in these notes are stated in millions of pesos. When reference is made to "US$" or "dollars," it means dollars of the United States of America ("United States" or "U.S.A."). When reference is made to "£" or "pounds," it means British pounds sterling. When reference is made to "€" or "euros," it means millions of the currency in circulation in a significant number of European Union countries.

When it is deemed relevant, certain amounts presented in the notes to the financial statements include between parentheses a translation into dollars, into pesos, or both, as applicable. These translations are informative data and should not be construed as representations that the amounts in pesos actually represent those dollar amounts or could be converted into dollars at the rate indicated. The translation procedures used are detailed as follows:

- When the amount between parentheses is in dollars, the amount was originated in pesos or other currencies. In 2008, such dollar translations were calculated using the closing exchange rate of $13.74 pesos per dollar for balance sheet amounts and using the average exchange rate of $11.21 pesos per dollar for the income statement amounts. For 2007 and 2006, the constant peso amounts as of December 31, 2007, were translated using the closing exchange rate as of December 31, 2007 for balance sheet and income statement accounts. For 2008, translation to pesos was calculated using the closing exchange rate of $13.74 pesos per dollar for balance sheet accounts and using the average exchange rate of $11.21 pesos per dollar for income statement accounts. In 2007 and 2006, translation to pesos was calculated using the closing exchange rate at the end of each year and were restated to constant pesos as of December 31, 2007 for balance sheet and income statement accounts.
- When the amounts between parentheses are the peso and the dollar, it means the disclosed amount was originated in other currencies. In 2008, foreign currency amounts were translated into dollars using the closing exchange rates at year-end; and translated into pesos using the closing exchange rate of $13.74 pesos per dollar. In 2007 and 2006, amounts in foreign currency were converted into dollars using the closing exchange rates for each year; such dollars were converted into pesos using the closing exchange rate of each year and were restated into constant pesos as of December 31, 2007.

### Income statement

New MFRS B-3, "Income Statement," effective beginning January 1, 2007, establishes presentation and disclosure requirements for the captions that are included in the income statement. The Parent Company's income statement for 2006 was reclassified to comply with the presentation rules required in 2007.

### B.2 Restatement of comparative financial statements

The restatement factors used for the Parent Company's information of prior periods, calculated using Mexican inflation until December 31, 2007 are the following:

| | Mexican inflation restatement factor |
|---|---|
| 2006 to 2007 | 1.0398 |
| 2005 to 2006 | 1.0408 |

## C. Other accounts receivable

As of December 31, 2008 and 2007, other short-term accounts receivable of the Parent Company consist of:

| | | 2008 | 2007 |
|---|---|---|---|
| Non-trade accounts receivable | $ | 305 | 6 |
| Current portion for valuation of derivative instruments | | 1,749 | 908 |
| Other refundable taxes | | 1,155 | 858 |
| | $ | 3,209 | 1,772 |

## D. Investment in subsidiaries and associates

As of December 31, 2008 and 2007, investments of the Parent Company in subsidiaries and associates, which are accounted for by the equity method, are as follows:

| | | 2008 | 2007 |
|---|---|---|---|
| Book value at acquisition date | $ | 112,108 | 112,054 |
| Revaluation by equity method | | 156,989 | 120,429 |
| | $ | 269,097 | 232,483 |

In October 2008, the Parent Company made an equity contribution to its subsidiary CEMEX Trademarks Holding Ltd. for approximately $54. In December 2007, the Parent Company made a contribution to equity of CEMEX México, S.A. de C.V. for approximately $30,000 (nominal amount).

## E. Land and buildings

As of December 31, 2008 and 2007, the Parent Company's land and buildings are summarized as follows:

| | | 2008 | 2007 |
|---|---|---|---|
| Land | $ | 1,819 | 1,819 |
| Buildings | | 470 | 470 |
| Accumulated depreciation | | (300) | (294) |
| Total land and buildings | $ | 1,989 | 1,995 |

### F. Goodwill and deferred charges

As of December 31, 2008 and 2007, goodwill and deferred charges consist of:

| | | 2008 | 2007 |
|---|---|---|---|
| **Intangible assets of indefinite useful life:** | | | |
| Goodwill, net | $ | 1,894 | 1,894 |
| **Deferred Charges:** | | | |
| Deferred financing costs | | 102 | 85 |
| Deferred income taxes (note 24J) | | 5,248 | 1,336 |
| Others | | 67 | 64 |
| Accumulated amortization | | (107) | (75) |
| Total deferred charges | $ | 5,310 | 1,410 |
| Total intangible assets and deferred charges | $ | 7,204 | 3,304 |

Goodwill of the Parent Company refers to a portion of the reporting unit in Mexico (note 10). For the years ended December 31, 2008, 2007 and 2006, the Parent Company did not recognize impairment losses for goodwill, considering that impairment tests presented an excess of the value in use (discounted cash flows) over the net carrying amount of goodwill in the reporting unit. During the last quarter of 2008, CEMEX made the annual test for goodwill impairment. The projection models for cash flows to value long-lived assets include long-term variables. Nevertheless, the Parent Company considers that its cash flow projections and the discount rates used for present value, reasonably present current conditions, considering that: a) the starting point of future cash flow models is the operating flow for 2008, a year which was negatively affected by the economic situation; b) the capital cost presents the current volatility of markets. An average risk would be normally used; c) the cost of debt presents the specific rate for CEMEX in recent transactions. CEMEX uses discount rates after taxes, which are applied to cash flows after taxes. In 2008 and 2007, the Company used a discount rate of 12.0% and 10.3% for 2008 and 2007, respectively, to discount cash flows of the reporting unit in Mexico.

### G. Other accounts payable and accrued expenses

Other accounts payable and accrued expenses of the Parent Company as of December 31, 2008 and 2007 are disclosed below:

| | | 2008 | 2007 |
|---|---|---|---|
| Other accounts payable, accrued expenses and interest payable | $ | 123 | 1 |
| Tax payable | | 543 | 748 |
| Dividends payable | | 4 | 5 |
| Valuation of derivative instruments | | 1,052 | 278 |
| | $ | 1,722 | 1,032 |

### H. Short-term and long-term debt

The breakdown of the Parent Company's short-term and long-term debt as of December 31, 2008 and 2007, by interest rate and currency type is presented below:

| | | Carrying amount | | Effective rate 1 | |
|---|---|---|---|---|---|
| | | 2008 | 2007 | 2008 | 2007 |
| **Short-term** | | | | | |
| Floating rate | $ | 15,673 | 18,772 | 3.5% | 5.9% |
| Fixed rate | | 2,741 | 1,700 | 9.3% | 4.8% |
| | | 18,414 | 20,472 | | |
| **Long-term** | | | | | |
| Floating rate | | 46,796 | 46,468 | 4.7% | 5.3% |
| Fixed rate | | 11,647 | 6,782 | 4.7% | 4.2% |
| | | 58,443 | 53,250 | | |
| | $ | 76,857 | 73,722 | | |

| | | 2008 | | | | | 2007 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Short-term | Long-term | Total | Effective rate 1 | | Short-term | Long-term | Total | Effective rate 1 |
| Dollars | $ | 12,213 | 35,266 | 47,479 | 3.7% | $ | 14,633 | 28,518 | 43,151 | 5.7% |
| Pesos | | 6,201 | 23,177 | 29,378 | 5.6% | | 5,839 | 24,732 | 30,571 | 5.0% |
| | $ | 18,414 | 58,443 | 76,857 | | $ | 20,472 | 53,250 | 73,722 | |

1 Represents the weighted average effective interest rate and includes the effects of interest rate swaps and derivative instruments that exchange interest rates and currencies.

As of December 31, 2008 and 2007, the Parent Company's short-term debt includes $8,830 and $16,943, respectively, representing current maturities of long-term debt.

The maturities of the Parent Company's long-term debt as of December 31, 2008 are as follows:

| | Parent Company |
|---|---|
| 2010 | $ 15,049 |
| 2011 | 32,330 |
| 2012 | 10,450 |
| 2013 | 127 |
| 2014 and thereafter | 487 |
| | $ 58,443 |

As of December 31, 2007, there were short-term debt obligations amounting to US$520 ($5,678), respectively, classified as long-term debt considering that the Parent Company had, according to the terms of the contracts, the ability and the intention to defer payments under such obligations to the long term. As of December 31, 2008, there is no debt presented as long-term debt. The credit contracts of the Parent Company include financial covenants, among others, the accomplishment of financial ratios calculated over consolidated basis, which are detailed in note 11A.

## I. Balances and transactions with related parties

As of December 31, 2008 and 2007, the main accounts receivable and payable with related parties are as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| 2008 | Short-term | Long-term | Short-term | Long-term |
| CEMEX México, S.A. de C.V. | $ – | 13,943 | 3,766 | – |
| CEMEX Central, S.A. de C.V. | 385 | – | – | – |
| CEMEX International Finance Co. | – | – | 226 | 17,736 |
| CEMEX Concreto, S.A. de C.V. | – | – | 227 | – |
| TEG Energía, S.A. de C.V. | – | – | – | 740 |
| Others | 123 | – | 16 | – |
| | $ 508 | 13,943 | 4,235 | 18,476 |

| | Assets | | Liabilities | |
|---|---|---|---|---|
| 2007 | Short-term | Long-term | Short-term | Long-term |
| CEMEX México, S.A. de C.V | $ – | 18,647 | 408 | – |
| CEMEX International Finance Co | – | – | 18,172 | – |
| Profesionales en Logística de México, S.A. de C.V. | – | – | 1,153 | – |
| Servicios CEMEX México, S.A. de C.V. | – | – | 353 | – |
| CEMEX Deutschland AG | – | – | 158 | – |
| TEG Energía, S.A. de C.V. | – | – | – | 155 |
| Others | 64 | – | 251 | – |
| | $ 64 | 18,647 | 20,495 | 155 |

The main operations with related parties are summarized as follows:

| Parent Company | 2008 | 2007 | 2006 |
|---|---|---|---|
| Rental income | $ 271 | 278 | 287 |
| License fees | 1,197 | 1,177 | 957 |
| Financial expense | (1,316) | (433) | (2,871) |
| Management service expenses | (753) | (1,322) | (804) |
| Financial income | 1,670 | 690 | 1,824 |
| Results from financial instruments | 3,063 | – | (585) |
| Other income (expenses), net | $ (809) | (21) | (24) |

Balances and transactions of the Parent Company with related parties result primarily from: (i) the sale and/or acquisition of subsidiaries' shares within the CEMEX group; (ii) the invoicing of administrative services, rentals, trademarks and commercial name rights, royalties and other services rendered between group entities; and (iii) loans between related parties. Transactions between group entities are conducted on arm's length terms based on market prices and conditions.

The long-term account receivable with CEMEX Mexico is related to a loan bearing TIIE rate plus 129 basis points. The account payable to TEG Energía corresponds to the valuation of an interest rate swap related to energy projects negotiated between CEMEX and TEG Energía for a notional amount of US$15 with maturity in September 2022. The account payable to CEMEX International Finance Co. generates interests at market conditions and matures in 2028.

In connection with sale contracts of EUAs and the exchange of EUAs for CERs mentioned in note 2V, the Parent company acts as counterpart of third parties and maintains identical contracts with the subsidiaries in Europe owners of the EUAs, fulfilling the obligations established in those contracts.

The definition of related parties includes entities or individuals outside the CEMEX group, which, pursuant to their relationship with CEMEX, may take advantage from being in a privileged situation. Likewise, this applies to cases in which CEMEX may take advantage of such relationships and obtain benefits in its financial position or operating results. CEMEX's transactions with related parties are executed under market conditions. The Parent Company has identified the following transactions between related parties:

Mr. Bernardo Quintana Isaac, a member of the board of directors at CEMEX, S.A.B. de C.V., is the current chairman of the board of directors of Empresas ICA, S.A.B. de C.V. ("Empresas ICA"), and was its chief executive officer until December 31, 2006. Empresas ICA is one of the most important engineering and construction companies in Mexico. In the ordinary course of business, CEMEX extends financing to Empresas ICA in connection with the purchase of CEMEX's products, on the same credit conditions that CEMEX awards to other customers.

## J. Current and deferred income taxes

### Income taxes

Until 2007, the Parent Company and its Mexican subsidiaries generated income tax ("IT") and Business Assets Tax ("BAT") on a consolidated basis; therefore, the amounts of these items included in the Parent Company's financial statements for the years ended December 31, 2007 and 2006, represent the consolidated result of these taxes.

Beginning in 1999, the determination of the consolidated IT for the Mexican companies considers a maximum of 60% of the taxable income or loss of each of the subsidiaries. When the subsidiaries determine taxable income and have tax loss carryforwards generated before 1999, such taxable income will be considered by the Parent Company according to its equity ownership. Beginning in 2002, in the determination of consolidated IT, 60% of the taxable result of the controlling entity should be considered, unless it obtains taxable income, in which case 100% should be considered, until the restated balances of the individual tax loss carryforwards before 2001 are amortized. According to the income tax law, the tax rate for 2006 was 29%. Starting in 2007 the tax rate is 28%. In 2008, 2007 and 2006, the tax consolidation was determined considering a 100% equity ownership, and the 60% tax consolidation factor was eliminated except in those cases when the subsidiaries would have generated tax loss carryforwards in the period from 1999 to 2004, or the Parent Company in the period from 2002 to 2004. In those cases, the 60% factor still prevails in the IT consolidation, until the tax loss carryforwards are extinguished in each company.

On January 1, 2008, a new law became effective in Mexico denominated Minimum Corporate Tax (*Impuesto Empresarial Tasa Única* or "IETU"), which superseded the BAT law. IETU is calculated based on cash flows, and the rate will be 16.5% for 2008, 17% in 2009 and 17.5% in 2010 and thereafter. Entities subject to IETU should also continue to determine IT and pay the greater amount between them.

In broad terms, taxable revenues for IETU purposes are those generated through the sale of goods, the rendering of professional services, as well as rental revenue. There are certain exceptions, and it is allowed to consider as deductible items for IETU calculations, the expenses incurred to conduct the activities previously described. Capital expenditures are fully deductible for IETU. Each entity should calculate IETU on a stand-alone basis and tax consolidation is not permitted. Unlike BAT, IETU is a definitive tax and, unlike income tax, the taxable income is greater since some deductions are not permitted, which in some cases may be compensated by the lower IETU rate than income tax rate.

CEMEX considers that at least for the first two years, in most of its Mexican operations, the Company will continue to incur income taxes. Income tax benefits (expenses) presented in the Parent Company's statement of income consists of:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Received from subsidiaries | $ 1,145 | 1,922 | 2,125 |
| Current income tax | 66 | (1,122) | – |
| Deferred income tax | 3,900 | (957) | 1,335 |
| | $ 5,111 | (157) | 3,460 |

The Parent Company has accumulated consolidated tax loss carryforwards for its Mexican operations which, restated for inflation, can be amortized against taxable income in the succeeding ten years according to income tax law as established in the Mexican Income Tax Law. Tax loss carryforwards as of December 31, 2008, are as follows:

| Year in which tax loss occurred | Amount of carryforwards | Year of expiration |
|---|---|---|
| 2002 | $ 885 | 2012 |
| 2003 | 685 | 2013 |
| 2006 | 3,408 | 2016 |
| 2008 | 17,736 | 2018 |
| | $ 22,714 | |

Until December 2006, the BAT Law in Mexico establishes a 1.8% tax levy on assets, restated for inflation in the case of inventory and fixed assets, and deducting certain liabilities. BAT levied in excess of IT for the period may be recovered, restated for inflation, in any of the succeeding ten years, provided that the IT incurred exceeds BAT in such period. The Parent Company generates income tax on a consolidated basis; consequently, it calculated and presented consolidated BAT for the period of 2007. Starting on January 1, 2008, in compliance with modifications approved to such law, the BAT rate decreased to 1.25%, but the possibility to decrease liabilities from the taxable income basis was eliminated, therefore, this new legislation originated a sensitive increase on the tax basis. The recoverable BAT as of December 31, 2008, is $139 and matures in 2016.

### Deferred income tax

The valuation method for deferred income taxes is detailed in note 2(O). Deferred IT for the period represents the difference in nominal pesos between the deferred IT initial balance and the year-end balance. Deferred IT assets and liabilities of the Parent Company have been offset. As of December 31, 2008 and 2007, the IT effects of the main temporary differences that generate deferred IT assets and liabilities of CEMEX, S.A.B. de C.V., are presented below:

| | | 2008 | 2007 |
|---|---|---|---|
| **Deferred tax assets:** | | | |
| Tax loss and tax credits carryforwards | $ | 6,360 | 1,745 |
| Recoverable BAT | | 139 | 731 |
| Advances | | 120 | 149 |
| Derivative financial instruments | | 3,095 | 470 |
| Gross deferred tax assets | | 9,714 | 3,095 |
| Less – valuation allowance | | (139) | (731) |
| Total deferred tax asset, net | | 9,575 | 2,364 |
| **Deferred tax liabilities:** | | | |
| Land and buildings | | (494) | (499) |
| Derivative financial instruments | | (2,788) | (529) |
| Investment in associates | | (1,045) | – |
| Total deferred tax liabilities | | (4,327) | (1,028) |
| Net active position of deferred taxes | $ | 5,248 | 1,336 |

In 2008, deferred income tax for the period credited directly in equity was $12. The Parent Company's management considers that sufficient taxable income will be generated as to realize the tax benefits associated with the deferred income tax assets, and the tax loss carryforwards, prior to their expiration. In the event that present conditions change, and it is determined that future operations would not generate enough taxable income, or that tax strategies are no longer viable, the valuation allowance would be increased and reflected in the statement of income. The Parent Company does not recognize a deferred tax liability for the undistributed earnings generated by its subsidiaries and associates, recognized under the equity method, considering that such undistributed earnings are expected to be reinvested, not generating income tax in the foreseeable future. Likewise, the Parent Company does not recognize a deferred income tax liability related to its investments in subsidiaries and associates considering that the Parent Company controls the reversal of the temporary differences arising from these investments.

### Reconciliation of effective tax rate

The effects of inflation are recognized differently for IT and for accounting purposes. This situation, and other differences between the financial reporting and the corresponding tax basis of assets and liabilities, give rise to permanent differences between the approximate statutory tax rate and the effective tax rate presented in the Parent Company's income statements, which in 2008, 2007 and 2006, are as follows:

| | 2008 % | 2007 % | 2006 % |
|---|---|---|---|
| Effective Parent Company statutory tax rate | (28.0) | 28.0 | 29.0 |
| Equity in income of subsidiaries and associates | (88.4) | (30.8) | (31.8) |
| Valuation allowance for tax carryforwards | (5.6) | 6.6 | (2.5) |
| Benefit for tax consolidation | (45.6) | (5.0) | (8.7) |
| Others | (12.8) | 1.8 | (0.1) |
| Parent Company's effective tax rate | (180.4) | 0.6 | (14.1) |

### K. Stockholders' equity

The consolidated majority interest stockholders' equity is the same as the Parent Company's stockholders' equity. Therefore, stockholders' equity information detailed in note 15A to the consolidated financial statements also refers to the Parent Company, except for minority interest and the cumulative initial effect of deferred taxes.

### L. Executive stock option programs

Of the different stock option programs disclosed in note 16 to the consolidated financial statements, only the "fixed program" was issued by the Parent Company. Entities obligated under the other programs are part of the consolidated group.

### M. Earnings per share

The calculations of earnings per share included in note 18 are the same for the Parent Company.

### N. Contingencies and commitments

#### N.1 Guarantees

As of December 31, 2008 and 2007, CEMEX, S.A.B. de C.V. guaranteed loans made to certain subsidiaries for approximately US$1,407 and US$513, respectively.

As of December 31, 2008 and 2007, CEMEX S.A.B. de C.V. investment in Control Administrativo Mexicano, S.A. de C.V. and 586,147,722 CPOs of the investment in subsidiaries in the Parent Company's shares (note 15) and Cancem, S.A. de C.V. (note 8A), are deposited in an irrevocable trust transferring, management and payment title. This title maintains corporate and property rights and in the event of default of payment of CEMEX, S.A.B. de C.V. debt for an amount of US$250 ($3,435), which includes quarterly amortizations starting in July 2009 and maturing in October 2010, the title may be alienated and the amount applied to such debt.

## N.2 Contractual obligations

As of December 31, 2008 and 2007, the approximate cash flows that will be required by the Parent Company to meet its material contractual obligations are summarized as follows:

| (U.S. dollars millions) | | 2008 | | | | | 2007 |
|---|---|---|---|---|---|---|---|
| Obligations | | Less than 1 year | 1-3 years | 3 -5 years | More than 5 years | Total | Total |
| Long-term debt **1** | US$ | 643 | 3,448 | 770 | 35 | 4,896 | 6,428 |
| Interest payments on debt **2** | | 118 | 208 | 20 | 30 | 376 | 1,100 |
| Interest rate derivatives **3** | | 9 | 53 | 5 | 25 | 92 | 407 |
| Inactive derivative financial instruments **4** | | 167 | 22 | 67 | 7 | 263 | – |
| Total contractual obligations | US$ | 937 | 3,731 | 862 | 97 | 5,627 | 7,935 |
| | $ | 12,874 | 51,264 | 11,844 | 1,333 | 77,315 | 86,650 |

**1** The scheduling of debt payments, which includes current maturities, does not consider the effect of any refinancing that may occur of debt during the following years. CEMEX, S.A.B. de C.V. has been successful in the past when replacing its long-term obligations with others of similar nature.

**2** In the determination of future estimated interest payments on the floating rate denominated debt, the Parent Company used the floating interest rates in effect as of December 31, 2008 and 2007.

**3** Estimated contractual obligations under interest rate derivatives include the approximate cash flows under the Parent Company's interest rate swaps and cross currency swap contracts, and represent the net amount between the rate the Parent Company pays and the rate received under such contracts. In the determination of future estimated cash flows, the Parent Company used the interest rates applicable under such contracts as of December 31, 2008 and 2007.

**4** Refers to estimated contractual obligations of the Parent company in the positions of inactive derivative instruments (note 11D).

## O. Tax assessments and legal proceedings

CEMEX, S.A.B. de C.V. and some of its subsidiaries in Mexico have been notified by the Mexican tax authority of several tax assessments related to different tax periods. Tax assessments are based primarily on investments made in entities incorporated in foreign countries with preferential tax regimes. On April 3, 2007, the Mexican tax authority issued a decree providing for a tax amnesty program, which allows for the settlement of previously issued tax assessments. CEMEX decided to take advantage of the benefits of this program, resulting in the settlement of a significant portion of the existing fiscal tax assessments of prior years. As a result of the program, as of December 31, 2008, CEMEX's total existing tax assessments amount to $49. CEMEX has appealed these tax assessments before the Mexican federal tax court, and the appeals are pending resolution.

Pursuant to amendments to the Mexican income tax law, which became effective on January 1, 2005, Mexican companies with investments in entities incorporated in foreign countries whose income tax liability is less than 75% of the income tax that would be payable in Mexico, are required to pay taxes in Mexico on indirect revenues, such as dividends, royalties, interest, capital gains and rental fees obtained by such foreign entities, provided that the revenues are not derived from entrepreneurial activities in such countries. CEMEX filed two motions in the Mexican federal courts challenging the constitutionality of the amendments. In September 2008, the Supreme Court of Justice ruled the amendments constitutional for tax years 2005 to 2007. Since the Supreme Court's decision does not pertain to an amount of taxes due or other tax obligations, CEMEX will self-assess any taxes due through the submission of amended tax returns. CEMEX has not yet determined the amount of tax or the periods affected. As of December 31, 2008, based on a preliminary estimate, CEMEX believes this amount will not be material, but no assurance can be given that additional analysis will not lead to a different conclusion. If the tax authorities do not agree with CEMEX's self-assessment of the taxes due for past periods, they may assess additional amounts of taxes past due, which may be material and may impact CEMEX cash flows.

## Directors

Lorenzo H. Zambrano
Chairman of the Board

Lorenzo Milmo Zambrano

Armando J. García Segovia

Rodolfo García Muriel

Rogelio Zambrano Lozano

Tomás Milmo Santos

Roberto Zambrano Villarreal
Independent member

Bernardo Quintana Isaac
Independent member

Dionisio Garza Medina
Independent member

Alfonso Romo Garza
Independent member

Mauricio Zambrano Villarreal
Independent member

Tomás Brittingham Longoria
Independent member

José Manuel Rincón Gallardo
Independent member

## Alternate directors

Jorge García Segovia

Eduardo Brittingham Sumner
Independent member

Luis Santos de la Garza
Independent member

Fernando Ruiz Arredondo
Independent member

## Secretary

Ramiro Villarreal Morales
(not a member of the board)

## Audit committee

Roberto Zambrano Villarreal
President

José Manuel Rincón Gallardo

Tomás Brittingham Longoria

Alfonso Romo Garza

Mauricio Zambrano Villarreal

### Lorenzo H. Zambrano (64)

Chairman of the Board and Chief Executive Officer

Mr. Zambrano joined CEMEX in 1968. He was named CEO in 1985 and has served as Chairman of the Board since 1995. He holds a B.S. degree in mechanical engineering from Tecnológico de Monterrey and an M.B.A. from Stanford University. He is a member of the IBM Board of Directors, the Citigroup International Advisory Board, and the boards of Grupo Financiero Banamex, FEMSA, and Televisa. Mr. Zambrano is also Chairman of the Board of Tecnológico de Monterrey

### Héctor Medina (58)

Executive Vice President of Planning and Finance

Mr. Medina, who joined CEMEX in 1988, has a degree in chemical engineering from Tecnológico de Monterrey. He received an M.Sc. degree in management from the University of Bradford Management Center in the United Kingdom and an M.S. Diploma from the Escuela de Organización Industrial in Madrid, Spain. Mr. Medina is responsible for CEMEX's worldwide strategic planning and finance.

### Armando J. García (56)

Executive Vice President of Development

Mr. García, who originally joined CEMEX in 1975 and rejoined the company in 1985, holds a degree in mechanical engineering and business administration from Tecnológico de Monterrey and an M.B.A. from the University of Texas. He is responsible for leading CEMEX's operations technology, human resources, energy, business processes and IT, and sustainability on a worldwide basis.

### Víctor M. Romo (50)

Executive Vice President of Administration

Mr. Romo joined CEMEX in 1985. He earned his bachelor's degree in accounting and his M.S. degree in administration from Tecnológico de Monterrey. Before assuming his current position, Mr. Romo served as President of the South America and Caribbean Region. He is now responsible for the areas of comptrollership, procurement, taxation, security, risk management, and administrative services, processes, and projects.

### Francisco Garza (53)

President of the North America Region & Trading

Mr. Garza is a graduate of Tecnológico de Monterrey and has an M.B.A. from Cornell University's Johnson Graduate School of Management. Since he joined CEMEX in 1988, he has occupied several senior management positions in the company including President of CEMEX USA, President of CEMEX Venezuela, President of CEMEX Panama, and President of CEMEX Mexico. Today, Mr. Garza is directly responsible for CEMEX's interests and operations in Mexico, the United States, Guatemala, and the company's Trading unit.

### Fernando A. González (54)

President of the Europe, Middle East, Africa, Asia & Australia Region

Mr. González earned his B.A. and M.B.A. from Tecnológico de Monterrey. Since he joined CEMEX in 1989, he has held several senior management positions, including Corporate Vice President of Strategic Planning, President of CEMEX Venezuela, President of CEMEX Asia, President of CEMEX South America and Caribbean Region, and President of CEMEX Europe. Mr. González is currently responsible for CEMEX Europe, Middle East, Africa, Asia, and Australia.

### Juan Romero (51)

President of the South America & Caribbean Region

Mr. Romero graduated from Universidad de Comillas, Spain, where he studied Law and Economic and Enterprise Sciences. He joined CEMEX in 1989 and has occupied several senior management positions, including the responsibility for the company's operations in Colombia and Mexico. Currently, he is directly responsible for CEMEX's operations and interests in the South America and Caribbean region.

### Rodrigo Treviño (52)

Chief Financial Officer

Mr. Treviño, who joined CEMEX in 1997, received his B.S. and M.S. degrees in industrial engineering from Stanford University. He is responsible for the company's finance, capital markets, treasury, and investor relations.

### Financial Terms

American Depositary Shares (ADS) are a means for non-US based corporations to list their ordinary equity on an American stock exchange. Denominated in US dollars, they confer full rights of ownership to the corporation's underlying shares, which are held on deposit by a custodian bank in the company's home country or territory. In CEMEX, each ADS represents 10 CPOs.

EBITDA is operating income plus depreciation and amortization. Amortization of goodwill is not included in operating income but is instead recorded in other income (expense) below the operating line. EBITDA does not include certain extraordinary income and expenses that are not included in operating income under Mexican GAAP. EBITDA is not a GAAP measure.

Expansion capital expenditures consist of expansion spending on our cement, ready-mix concrete, and other core businesses in existing markets.

Free cash flow equals EBITDA minus net interest expense, maintenance and expansion capital expenditures, change in working capital, taxes paid, and other cash items (net other expenses less proceeds from the disposal of obsolete and/or substantially depleted operating fixed assets that are no longer in operation and coupon payments on our perpetual notes).

Interest coverage equals EBITDA divided by financial expenses.

Maintenance capital expenditures consist of maintenance spending on our cement, ready-mix concrete, and other core businesses in existing markets.

Net debt equals total debt minus the fair value of cross-currency swaps associated with debt minus cash and cash equivalents.

Net debt to EBITDA is calculated by dividing net debt by EBITDA for the last 12 months.

Net working capital equals operating accounts receivable (including other current assets received as payment in kind) plus historical inventories minus operating payables.

Ordinary Participation Certificates (CPOs) represent two of CEMEX's series A shares and one of CEMEX's series B shares. This instrument is listed on the Mexican Stock Exchange.

Return on capital employed (ROCE) equals operating income minus taxes and profit sharing, divided by the sum of average net debt and consolidated stockholders' equity.

### Industry Terms

Aggregates are sand and gravel, which are mined from quarries. They give ready-mix concrete its necessary volume and add to its overall strength. Under normal circumstances, one cubic meter of fresh concrete contains two metric tons of gravel and sand.

Clean Development Mechanism (CDM) is a mechanism under the Kyoto Protocol that allows Annex I countries to recognize greenhouse gas emission reductions from projects developed in Non-Annex I countries.

Clinker is an intermediate cement product made by sintering limestone, clay, and iron oxide in a kiln at around 1,450 degrees Celsius. One metric ton of clinker is used to make approximately 1.1 metric tons of gray Portland cement.

Fly ash is a combustion residue from power plants that can be used as a non-clinker cementitious material.

Gray Portland cement is a hydraulic binding agent with a composition by weight of at least 95% clinker and 0–5% of a minor component (usually calcium sulfate). It can set and harden underwater and, when mixed with aggregates and water, produces concrete or mortar.

Installed capacity is the theoretical annual production capacity of a plant, whereas effective capacity is a plant's actual optimal annual production capacity, which can be 10–20% less than installed capacity.

Metric ton is the equivalent of 1.102 short tons.

Petroleum coke (petcoke) is a byproduct of the oil refining coking process.

Pozzolana is a fine, sandy volcanic ash.

Ready-mix concrete is a mixture of cement, aggregates, and water.

Slag is the byproduct of smelting ore to purify metals.

## INVESTOR AND MEDIA INFORMATION

### Exchange listings

Bolsa Mexicana de Valores (BMV)
Mexico

New York Stock Exchange (NYSE)
United States

### Share series

CPO (representing two A shares and one B share)

ADS (representing ten CPOs)

### BMV ticker symbol

CEMEX CPO

### NYSE ticker symbol

CX

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